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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 1991

THURSDAY, MARCH 1, 1990.

DEPARTMENT OF LABOR

LABOR-MANAGEMENT SERVICES

SALARIES AND EXPENSES

WITNESSES

DAVID G. BALL, ASSISTANT SECRETARY, PENSION AND WELFARE BENEFITS ADMINISTRATION

A. MARY STERLING, ASSISTANT SECRETARY, LABOR-MANAGEMENT STANDARDS

JOHN R. STEPP, DEPUTY UNDER SECRETARY, BUREAU OF LABOR-MANAGEMENT RELATIONS AND COOPERATIVE PROGRAMS

MARIO A. LAURO, JR., ACTING DEPUTY ASSISTANT SECRETARY, LABOR-MANAGEMENT STANDARDS

ALAN D. LEBOWITZ, DEPUTY ASSISTANT SECRETARY FOR PROGRAM OPERATIONS, PENSION AND WELFARE BENEFITS ADMINISTRATION

GEORGE B. BAILY, JR., BUDGET OFFICER, NATIONAL CAPITAL SERVICE CENTER

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. At this time we take up the budget request for the Department of Labor, Labor-Management Services, and we have before the committee Mr. David G. Ball, Assistant Secretary, along with Ms. Sterling, Assistant Secretary, and also Mr. Stepp, Deputy Under Secretary.

Ms. Sterling, let me start with you. Before we have the statements, tell us who you have with you there at the table.

Ms. STERLING. All right. I have with me to my immediate left Mr. David Ball, who is the Assistant Secretary for the Pension and Welfare Benefits Administration. After him, to his left is Alan D. Lebowitz, who is the Deputy Assistant Secretary for Program Operations, PWBA, and on the end of the table to my far left is John R. Stepp, Deputy Under Secretary for the Bureau of Labor-Management Relations and Cooperative Programs.

To my right is Mr. Mario A. Lauro, who is my acting deputy in the Office of Labor-Management Standards. To his right is Mr. George B. Baily, Jr., Budget Officer, National Capital Service Center, and to his right is Mr. James McMullen, Director, Office of Budget.

Mr. NATCHER. Thank you very much.

Now how shall we proceed? As I understand we have three statements. Would you like to go right ahead, Ms. Sterling, with your statement? We would be glad to hear from you.

Ms. **Sterling**. Thank you, Mr. Chairman.

I was confirmed on November 6, so this is the first time I have ever appeared before a congressional committee. I have prepared and my staff has prepared a written statement, so with your permission, I will put that in the record, and also I have a few highlights to summarize for you, if that is all right.

Mr. **Natcher**. Very good.

HIGHLIGHTS OF OLMS BUDGET REQUEST

Ms. **Sterling**. All right. There are four things I want to emphasize this morning. First of all I want to review just briefly some highlights of our budget request. Second, I will go over a bit of our record from 1989. Third, we are requesting ten additional positions, and I will touch briefly on what we anticipate they will do. And fourth, let you know some of the new directions or goals that I have been working on since my confirmation in November.

First of all, in our budget request, OLMS is of course a law enforcement agency, and we do a statutorily mandated enforcement function. As such, we do not have discretionary funds. We devote our entire budget to these enforcement activities. Our request for fiscal year 1991 is for $26,051,000 and 430 full-time positions.

Now, that represents a ten position increase, and a net increase of $943,000. Only $446,000 of that increase is for program activities. There are 43,000 unions which must file reports with our agency, and with the employer and consultant reports, which must be filed with our agency, that brings our file workload to 48,000 reporting organizations or reports that we must handle.

In 1989, the OLMS staff addressed a total of 81,416 inquiries. Almost 10,000 of the inquiries were requests for these financial reports, which we oversee in the course of our responsibility. We had a good year in terms of investigation results. We investigated 157 election complaints. Fifty union elections were examined by our investigators and run by our agency. We had 168 indictments and 149 convictions, and $2,000,000 in embezzled union funds were recovered.

We do our work through 34 field offices, and we have a staff of 420 at this time by the way, 211 of those are investigators, which means our investigators have been very busy, compiling the work record that they have for our relatively small agency. We completed 880 audits of unions, and 23 audits of international unions, so they have been very busy in the past year.

NEED FOR NEW COMPLIANCE OFFICERS

The ten new positions that we are requesting are positions that will be known as compliance officer positions. Those are needed for a very specific function. Given the record that I have just reviewed for you, our investigators are very busy. There are only 211 of them. They are highly trained and very skilled investigators, but some of the things that we need to have completed involve the deficient and delinquent reports. Those are reports which for one reason or another do not contain all the information which is required by the laws we must enforce, or they simply are late. They are delinquent.

The trouble is our investigators are already busy spending approximately 62.1 percent of their time in investigations, 28.4 percent of their time in audits, 1.8 in employer and consultant reports and 4.4 percent on compliance assistance. That leaves just 3.3 percent of our investigators' time to address this deficient and delinquent reports area, and unfortunately the statistics show we do need work in that area.

75 percent of the union reporting was in some way deficient. That is unacceptable to me, and 22 percent were delinquent. Therefore, these new compliance officers will be assigned to each of our ten area offices. They will direct the delinquent and deficient reports program in each of those area offices, and they will be responsible for doing something about this deficient/delinquent report situation I have reported. They will go through and look at the reporting, they will flag problems, and they will identify cases which need to be referred for criminal and civil investigation.

Most of all, they will do those things that can be done by a lower graded compliance officer, which will free our criminal investigators and our civil investigators to do that work which must be done to fully complete our enforcement requirements. I think those ten positions will make a big difference in clearing up the one area where it is reported we do have a problem.

NEW DIRECTIONS AND EMPHASIS

Since I was confirmed, as I mentioned, we do have some new directions that I also am entertaining and pushing in the agency. Obviously there was some need to clear up a bit of a backlog that had been building because there was an acting assistant secretary before me for over a year. So we did make some decisions on some pending issues. We had to take some tough budget cutting measures, which we did. So, besides those housekeeping things, there were four areas which I have emphasized.

One, I have emphasized enhanced coordination with other law enforcement agencies, both within the Department of Labor and with other departments, such as the Department of Justice, the FBI, and state and local authorities. Two, I have emphasized training, both of our own investigators and of those other law enforcement agencies which work with us, such as the Assistant U.S. Attorneys in the U.S. Attorney's Office, FBI, state and local prosecutors, and we have offered our help to other labor agencies which do enforcement work.

Three, I have emphasized education and compliance assistance with unions. We are undertaking some LM-2/3 changes on our reporting forms. We anticipate having a video to help unions complete the forms, publishing newsletters and compliance tips, and we have translated some of our brochures into Spanish to assist the Hispanic-speaking workers.

And fourth, I have emphasized through my own personal interests and activity the importance of enforcement work. Given my prosecution background, that is not surprising, but I have become more involved in investigations and cases myself. As you can see from the budget submission that the OLMS staff has submitted, they have set pretty high goals for themselves for the following years. I want to emphasize I did not impose those goals. The OLMS staff came up with those goals and imposed them on themselves.

I think that demonstrates how committed they are to reaching those goals, to make this new program work, and to achieve the enforcement standards we have set for ourselves.

I thank you for this opportunity to appear before you here this morning. As I said, my staff has prepared the budget submissions, and they are thorough and answer a lot of questions. If you have additional questions I would be happy to answer them or provide additional information.

Mr. NATCHER. Thank you, Ms. Sterling.

[The information follows:]

Statement by A. Mary Sterling
Assistant Secretary
for Labor-Management Standards
Appropriations Subcommittees
Fiscal Year 1991 Budget Request

Labor-Management Services
Salaries and Expenses
March 1990

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to appear before you as Assistant Secretary for Labor-Management Standards to discuss our budget request for fiscal year 1991.

As you know, the principal law administered by the Office of Labor-Management Standards (OLMS) is the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA), also known as the Landrum-Griffin Act. The LMRDA is the major federal law that deals with the relationship between a union and its members. Congress enacted the LMRDA to establish certain rights for union members and require proper handling and safeguarding of union funds and assets, to provide for the reporting and disclosure of financial transactions and administrative practices of labor organizations and employers/labor relations consultants, to prevent abuses in the administration of trusteeships of labor organizations, and to impose standards on the frequency and conduct of union officer elections.

Our budget request for the coming year totals $26,051,000 and 430 positions. This represents a net increase of $943,000 over the current year. Included in this dollar amount is a program increase of $446,000 associated with the additional 10 positions we are requesting in FY 1991 to enhance our enforcement capabilities in the delinquent and deficient reporting areas. The balance of the dollar increase is requested to cover mandatory increases for employee pay adjustments, accident compensation assessments and inflation.

In carrying out our statutory responsibilities under the Act, the Office of Labor-Management Standards conducts criminal investigations and audits in addition to performing civil program activities which include civil investigations, education and compliance assistance, and public disclosure of reports.

OLMS conducts both criminal and civil investigations to determine if violations of the LMRDA have occurred, particularly in regard to union officer elections and the handling of union funds. In the criminal category, OLMS conducts complaint-based and self-initiated embezzlement investigations to protect and safeguard union funds and assets. Any information uncovered during an investigation regarding possible embezzlement violations must be referred to U.S. Attorneys who decide if criminal prosecution is warranted. In addition to election and embezzlement investigations, OLMS investigates possible violations involving bonding, illegal loans to union officers and employees, of their time in other enforcement areas such as embezzlement investigations and audit activities.

Other new activities planned for FY 1991 include plans for revising the LM-2/3 financial reporting forms and increased emphasis on liaison with international union officials.

The LM-2/3 forms and instructions have not been substantively revised since 1975 and need to be amended to reflect changed interpretations, to correct certain problem areas, to better capture more useful information, and to improve the forms so they are easier to complete, in addition to easing the reporting burden on the unions as much as possible.

In the liaison area, OLMS plans several new initiatives which will address specific LMRDA requirements. These initiatives will be modeled on certain I-CAP procedures as well as on the successful delinquent reports program whereby the internationals assist us in obtaining delinquent reports from their affiliates. OLMS field offices will increase contacts with international union auditors and representatives to provide enforcement and compliance assistance information.

In FY 1990, OLMS will continue to refine targeting techniques to strengthen its enforcement posture and capability. We plan to improve the surety company contact program to ensure proper, timely reporting of financial losses incurred by labor organizations. OLMS will continue to maintain a strong liaison/compliance assistance program as an integral part of its enforcement program through union member education programs, liaison with international and national union officials, and coordinating and sharing information with other law enforcement agencies. OLMS is also continuing its comprehensive in-house training program for new investigators and plans to address the training needs of journeymen investigators, as well. In addition, OLMS will continue efforts to provide computer fraud training and identify additional computer technology applications.

During FY 1989, OLMS continued to maintain an effective criminal enforcement program in addition to its civil enforcement program. In the criminal enforcement area, 168 indictments and other criminal actions were returned and 149 convictions and pre-trial diversion agreements were obtained. Nearly two million dollars in embezzled union funds were recovered during FY 1989 and over $264,000 in fines were imposed by the courts. In addition, OLMS conducted 23 audits of international or national unions which represents the second largest number of I-CAP cases completed in any year during the program's history. The organizations audited had combined yearly incomes of over $900 million and represented more than 1,339,000 members in approximately 5,700 affiliated bodies. OLMS also opened 155 union officer/employee and employer/consultant investigations and closed 168 such cases during the year.

In the civil enforcement area, OLMS conducted 158 elections investigations and supervised 50 union officer elections. OLMS field offices also conducted various types of compliance assistance activities to promote voluntary compliance with the LMRDA and to complement our civil and criminal enforcement programs.

Finally, OLMS translated three expanatory publications into Spanish to inform the increasing number of Spanish-speaking union members of their rights under the LMRDA and to explain our enforcement responsibilities. The publications include "Informacion General Sobre OLMS" ("All About OLMS"), "Investigaciones de Uniones Bajo la LMRDA" ("Union Investigations Under the LMRDA"), and "Informes Requeridos Bajo la LMRDA y la CSRA" ("Reports Required Under the LMRDA and the CSRA").

Mr. Chairman, I thank you for the opportunity to present our program accomplishments and initiatives to the Subcommittee and I will be happy to respond to any questions you may have.

Biographical Sketch

A. MARY STERLING

Assistant Secretary

Labor-Management Standards
Department of Labor

A. Mary Sterling was nominated by President Bush to serve as Assistant Secretary for Labor-Management Standards and confirmed by the Senate in November 1989. Prior to her appointment, she was a litigation attorney with a private law firm in Kansas City, Missouri. She previously served as a prosecutor with the U.S. Department of Justice Organized Crime and Racketeering Strike Force in Kansas City from 1985-86, as an Assistant U.S. Attorney for the Western District of Missouri from 1982-85, and as a litigation attorney with a Kansas City law firm from 1980-82.

In 1987, Ms. Sterling was selected a White House Fellow and served as a Special Assistant in the Office of the U.S. Attorney General from 1987-88. She serves on the Boards of Directors of the national Harvard Alumni Association and the Department of Labor Academy, and has also served on the board of directors of the New York University Root-Tilden Law Scholarship Program and the National Association of Women Lawyers. She served for three years as a nationally-elected American Bar Association Assembly Delegate and a member of the House of Delegates. She was also elected to two terms on the Missouri Bar Board of Governors.

Ms. Sterling received her Bachelor's degree cum laude from Harvard University in 1976, a Master's degree in Public Administration from Ohio State University in 1977 where she was a University Fellow, and a Juris Doctor degree from New York University in 1980 where she was a Root-Tilden Law Scholar.

PWBA BUDGET SUMMARY

Mr. NATCHER. Now, Mr. Ball. We would be pleased to hear from you.

Mr. BALL. Thank you, Mr. Chairman and members of the subcommittee. It is a pleasure to appear before you today to discuss the Pension and Welfare Benefits Administration's fiscal year 1991 request of $58,000,000, and 605 FTE in the President's budget. As you know, this represents our share of the total Labor-Management Services budget of $90,000,000.

One of the Secretary's highest priorities in the Department is the request for 100 new PWBA staff positions to improve ERISA enforcement. Over the past year the Department's ERISA enforcement efforts have been brought into question by the Department's inspector general and a number of congressional hearings, and news accounts have highlighted these concerns. Let me assure you that the Secretary is committed to vigilant and effective ERISA enforcement to protect the benefits of America's workers and retirees.

The requested increase in staff is an essential part of that commitment. In addition to the budget request, the largest requested increase ever in PWBA staff, the Department is exploring a number of legislative initiatives to improve enforcement. These include proposals to improve ERISA audit requirements, civil penalties and private rights of action. We hope to propose something in this area in the near future.

In addition to the increase of 100 positions and $7,600,000 for ERISA enforcement, PWBA is requesting $775,000 for employee pension and health benefit research and other contract programs, and $175,000 for litigation support activities and enforcement-related travel. For the Pension and Welfare Benefits Administration, this constitutes a program increase of nearly $8,600,000 over the current level.

RESPONSIBILITIES OF THE PWBA

The Pension and Welfare Benefits Administration is responsible for regulation, enforcement, research, and policy formulation in the employee pension and welfare benefit area. The tremendous growth in employee benefit plans and assets over the past decade necessitates the increased staff and budget resources. Since 1980, the number of private pension plans has increased from approximately 590,000 to 915,000. During the same period, assets have grown from approximately $612 billion to $1.745 trillion. Participants have increased from approximately 58,000,000 to 78,000,000. Meanwhile, throughout this period, PWBA's staffing level has remained relatively constant.

In order to address this growth during the past several years, PWBA has undertaken major initiatives to strengthen the organization's capabilities, consistent with the scope and complexity of our responsibilities. These include reorganization to focus resources on emerging policy and programmatic areas; the expansion of our program of enforcement-related professional training; implementation and refinement of an enforcement strategy; and most importantly, the development of a sophisticated database system, which tremendously enhances the enforcement program's ability to deter abuse and target investigations.

The mainframe component is operational. It has already had a tremendous impact upon the quality of the data available that is being used to target our enforcement efforts. By the close of the fiscal year, we expect the full system will be in place. Through these initiatives, we have achieved significant qualitative improvements in our program. However, increasing the number of investigators in the field remains the only means to materially expand our oversight coverage of the pension and benefit plans.

EXPANSION OF INVESTIGATIVE CAPACITY

The fiscal year 1991 budget takes the necessary additional step of significantly enhancing our investigatory capacity by increasing the number of staff assigned to enforcement. I believe that this expansion would signal to the plan community and numerous overseers a serious attempt to address the mismatch between Federal oversight capability and the scope and importance of benefit plan security. This budget represents a responsible and appropriate expansion of our enforcement presence. It will enable PWBA to pursue an additional 1,000 investigations and reporting compliance reviews.

ADDITIONAL BUDGET INCREASES

An increase of $775,000 is required to fully fund critical contract activities, which were reduced this year, due to fiscal constraints. Specifically, approximately $500,000 will be used for employee benefit and pension research, $100,000 for compliance audits of the Thrift Savings Fund established by the Federal Employees' Retirement System Act of 1986, and approximately $175,000 for interagency payment to the IRS for database services.

Lastly, we are requesting an increase of $175,000 for the payment of expert witnesses and program travel. The use of expert witnesses is a virtual necessity in highly technical pension and welfare benefit plan specific litigation.

Mr. Chairman, that concludes my opening remarks. I appreciate the opportunity to appear before this committee, and I would be pleased to respond to any questions that you or other members of the committee may have.

Mr. NATCHER. Thank you, Mr. Ball.

[The information follows:]

Statement by David G. Ball
Assistant Secretary of Labor
Pension and **Welfare Benefits** Administration
Appropriations Subcommittees
Fiscal Year 1991 Budget Request

Labor-Management Services
Salaries and Expenses
March 1990

Mr. Chairman and members of the subcommittee, it is a pleasure to appear here before you today to discuss the Pension and Welfare Benefits Administration's (PWBA's) FY 1991 request of $58,077,000 and 605 FTE in the President's Budget. As you know, this represents our share of a total Labor-Management Services budget request of $90,051,000 and 1,106 FTE.

One of the Secretary's highest budget priorities in the Department is the request for 100 new PWBA staff positions to improve ERISA enforcement. Over the past year, the Department's ERISA enforcement efforts have been brought into question by the Department's Inspector General and a number of Congressional hearings, and news accounts have highlighted these concerns. Let me assure you, the Secretary is committed to vigilant and effective ERISA enforcement to protect the benefits of America's workers and retirees. The requested increase in staff is an essential part of that committment. In addition to the budget request, the largest requested increase ever in PWBA staff, the Department is exploring a number of legislative initiatives to improve enforcement. These include proposals to improve ERISA audit requirements, civil penalties and private rights of action. We hope to propose something in this area in the near future.

In addition to the increase of 100 positions and $7.6 million for ERISA enforcement, PWBA is requesting $775,000 for employee pension and health benefit research and other contract programs, and $175,000 for litigation support activities and enforcement related travel. For the Pension and Welfare Benefits Administration, this constitutes a program increase of nearly $8.6 million above the current level.

The Pension and Welfare Benefits Administration is responsible for regulation, enforcement, research and policy formulation in the employee retirement and benefit area. Over the past decade, there has been a substantial increase in the number of plans and assets controlled by plans. Since 1980, the number of pension plans has increased from approximately 590,000 to 915,000. During the same period, assets have grown from $.563 trillion to $1.7 trillion. Pension plan participants have increased from 58 million to 73 million. Meanwhile, throughout this period, PWBA's staffing level has remained relatively constant.

In order to address this growth, during the past several years, PWBA has undertaken major initiatives to strengthen the organization's capabilities, consistent with the scope and complexity of our responsibilities. These include reorganization to focus resources on emerging policy and programmatic areas, the expansion of our program of enforcement-related professional training, implementation and refinement of an enforcement strategy, and most importantly, the development of a sophisticated database system which tremendously enhances the enforcement program's ability to deter abuse and target investigations. The mainframe component is operational. It has already had a tremendous impact upon the quality of the data available and is being used to target our enforcement efforts. By the close of the fiscal year, we expect the full system will be in place.

Through these initiatives, we have achieved significant qualitative improvements in our program. However, increasing the number of investigators in the field remains the only means to materially expand Federal oversight of pension and benefit plans for over 200 million participants.

The FY 1991 budget takes the necessary additional step of significantly enhancing our investigatory capacity by increasing the number of staff assigned to enforcement. I believe that this expansion will signal to the plan community and numerous overseers a serious attempt to improve and enhance enforcement of the fiduciary provisions of ERISA and affirm our committment to and the importance of benefit plan security. This budget represents a responsible and appropriate expansion of our enforcement presence. It will enable PWBA to pursue an additional 1,000 investigations and additional reporting compliance reviews.

An increase of $775,000 is required to fully fund critical contract activities which were reduced in FY 1990 due to fiscal constraints. Specifically, approximately $500,000 will be used for employee benefit and pension research, $100,000 for compliance audits of the Thrift Savings Fund established by Federal Employee's Retirement System Act of 1986, and approximately $175,000 for interagency payment to the IRS for data base services.

Lastly, we are requesting an increase of $175,000 for the payment of expert witnesses and program travel. The use of expert witnesses is a virtual necessity in highly technical, pension and benefit plan specific litigation.

Mr. Chairman, this concludes my opening remarks. I appreciate the opportunity to appear before the committee and I would be pleased to respond to any questions that you or other members of the committee may have.

Biographical Sketch

David G. Ball

Assistant Secretary

Pension and Welfare Benefits Administration
U.S. Department of Labor

DAVID G. BALL has been Assistant Secretary of Labor for Pension and Welfare Benefits since October 17, 1989.

Before being confirmed as Assistant Secretary, Mr. Ball was senior vice president of Amax, Incorporated, a Fortune 500 aluminum, metals and energy company. He also served as president of Amax Central Services from 1986 to 1988. In addition, Mr. Ball was chairman of Amax's Employee Benefit Plan Committee, overseeing the management of Amax's benefit plans. His experience with Amax also included investor relations, corporate public relations, insurance, payroll and benefits accounting and corporate information systems.

From 1970 to 1974, Mr. Ball was assistant secretary and assistant counsel of the Babcock and Wilcox Company in New York City with responsibilities in the employee benefits area.

Previously, Mr. Ball served as corporate and tax attorney with the Wall Street law firm of White and Case.

Mr. Ball graduated from Yale University in 1960 with a degree in political science. He received a law degree from Columbia Law School in 1964. He and his wife, Carol, reside in Upperville, Virginia, and have five children: David Jr., 24, Christopher, 21, Deborah, 19, Jonathan, 11, and Thomas, 5.

ROLE OF BLMRCP

Mr. **Natcher**. Now, Mr. Stepp, we will be pleased to hear from you.

Mr. **Stepp**. Thank you, Mr. Chairman.

I would like to submit my opening remarks for the record and just share with you a few personal observations about why I think what we are doing is so important.

Clearly, we are living in a world characterized I think by unprecedented change. Global competition, the phenomenal increase in new technology, and the changing demographics of our work force are causing us to fundamentally rethink how we organize work and working relationships.

Today I think American businesses are quite intent on developing business strategies that are predicated on quality products, quality services and satisfied customers. Yet when you look at how we organize work and working relationships, too often what you find are passive, unengaged, nonresponsive kinds of working environments that are not capable of responding very rapidly to changing market conditions or changing conditions resulting from new technology.

We in our bureau believe that collective bargaining has a vital role to play in the 1990s. We believe in trade unionism and the role it plays in providing American workers with a voice in their workplace, yet we believe also that traditional adversarial unionism and traditional adversarial collective bargaining are very much out of sync with the kinds of conditions in which we now find ourselves.

So we see our role as twofold. One is to communicate to workers, to unions and to employers alike that there is an urgent need for change, that we can't go on doing things as we have always done them. We see too often situations like the Pittston dispute, that after 11 months of a bitter strike that shattered communities, shattered families and shattered a big portion of my budget, that only then do the parties recognize that they now have a basis for establishing a kind of labor-management partnership. Bill Usery, who is the supermediator, tells me he thinks that it is quite possible now, and in fact very likely.

But why is it that we have to go through the trauma and the shock of these kinds of disputes before we are prepared to make changes, either by employers or by unions? We have a publication program that is largely designed to help people understand the need for change, to suggest what works and what doesn't, to give information about best practices and exemplary cases. We think that this is a vital role, if we are going to have labor and management make the adjustments that they must as we move through the 1990s.

Secondly, in terms of our role, we believe that for collective bargaining to work, we must put some new tools in the collective bargaining tool kit. If you look in a traditional collective bargaining tool kit, about all you are likely to see are hammers, hammers of all sorts that the parties use on one another. We believe that interest-based bargaining, win/win bargaining is a much better method than the win/lose bargaining practices that have been a part of the American tradition, that there are new ways to produce lasting solutions to real problems, rather than a kind of patched-over settlement based upon rights.

All of these things we think are going to be fundamental to making collective bargaining work in the 1990s. Now, our delivery strategy is to try to develop a series of retailers at the local level. The Federal Mediation and Conciliation Service is certainly a principal retailer of the things that we produce. But also we are proud to say that some 14 states now have institutions at the state level that greatly resemble our bureau.

In addition to that, there are area labor-management committees that number over 100, as well as labor education centers and industrial relations centers that are eager to have our products and to be the distributors within their local communities.

So these are the things that we are about. We believe we have an important role here in helping transform labor relations and collective bargaining to bring it more in line with the needs of today.

Thank you very much.

Mr. NATCHER. Thank you, Mr. Stepp.

[The information follows:]

Statement by John R. Stepp
Deputy Under Secretary
for the Bureau of Labor-Management Relations
and Cooperative Programs
Appropriations Subcommittees
Fiscal Year 1991 Request

Labor-Management Services
Salaries and Expenses
March 1990

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to appear before you as the Deputy Under Secretary for Labor-Management Relations and Cooperative Programs to present the budget request for fiscal year 1991.

The fiscal year 1991 request for the Bureau of Labor-Management Relations and Cooperative Programs is $5,923,000 and 71 FTEs. This represents a net increase of $138,000 and no FTE. The Bureau intends to deploy these resources to administer programs which will improve the competitiveness of American industries, while assisting enterprises and their unions to implement socially constructive workplace partnerships.

Intense global competition, combined with changing technologies and work force demographics, require systemic changes in work structures and working relationships. Faced with economic survival, labor and management realize they can no longer afford to narrowly pursue their separate interests. There is an ever growing body of evidence that organizations which hope to compete during periods of rapid change must integrate innovative work systems into their labor relationships.

In 1991 we intend to focus our energies and resources to persuade industries and unions of the urgent need to jointly engage in work reform. In support, the Bureau will continue the development of a series of initiatives which provide the necessary knowledge, skills, and behaviors critical to successful transformations.

Vital to our success is an expanded delivery network. We will strengthen our linkages with state and local labor-management committees and councils, research organizations, education and productivity centers, non-profit public and private centers, and university and labor education institutions. These organizations will be asked to carry our message and will be trained and equipped by the Bureau to provide technical assistance to labor and management.

We will continue to develop publications on emerging or changing trends in industrial relations policies and practices. The primary focus will be on those organizations which have been successful in integrating new work systems into their operations.

We will deliver workshops to states on how to use labor-management committees to ease the impact of layoffs and plant closings. There are now approximately 20 states with experience in using these committees, as recommended by the Employee Dislocation and Worker Adjustment Act. Efforts will be concentrated in those states which have no demonstrated capacity to set up committees; in cooperation with the Employment and Training Administration, we will provide on-site assistance in their establishment.

Continued fast-paced change in labor relations policies and practices, both in the U.S. and abroad, spurred the Bureau to create new program services in 1989 and 1990. New technical assistance programs have been provided to practitioners, with specific training packages containing the knowledge and skills necessary to create and maintain joint labor-management efforts in the workplace. A public service print media ad was one highlight of an active publishing year, along with the publication of the Bureau's newsletter, Labor Relations Today, which now reaches nearly 15,000 readers. The Bureau's delivery network, inaugurated in 1989, leverages the resources of many organizations to deliver Bureau training programs. The Bureau certified 849 projects in 1989 under the Urban Mass Transportation Act 13(c) provisions and expects to certify 950 in 1990.

The proposed budget for 1991 contains program decreases in the amount of $186,000 and built-in increases in the amount of $324,000, for a net increase of $138,000. To cope with these budget realities, the Bureau has eliminated the Ph.D. grants initiative, along with reducing its participation with private and public institutions in the conduct of research on industrial relations issues.

America's prosperity and its place in the world economy ultimately depend on the value of work Americans can do. The Bureau is ready to assist workers, their representatives and employers in the difficult task of adapting to rapidly changing economic and social conditions.

A workplace premised on equity, security, and participation will generate economic growth and an improved quality of life. This is the challenge which faces us and one which must be met.

Thank you, Mr. Chairman, for the opportunity to make this statement. I will be glad to respond to any questions you may have.

Biographical Sketch

JOHN R. STEPP

Deputy Under Secretary

Bureau of Labor-Management Relations and Cooperative Programs

John R. Stepp serves as Deputy Under Secretary for Labor-Management Relations. In this capacity he directs a Bureau which provides technical assistance to employers and unions as they develop and implement cooperative labor-management programs. Through research and publications programs, the Bureau provides practical and timely information to assist in addressing current labor and industrial relations issues.

In addition, the Bureau assists the Secretary of Labor in assessing the need for and developing policies in labor-management and industrial relations and in implementing certain employee protections programs mandated by Federal laws.

Mr. Stepp joined the Department of Labor in 1980. Prior to his Labor Department service, he was national representative and director of preventive mediation activities for the Federal Mediation and Conciliation Service.

Before joining FMCS, Mr. Stepp was a member of the faculty at the Georgia Institute of Technology.

Mr. **Natcher**. Mr. Conte, I yield to you.

POSSIBLE RESOLUTION OF BASEBALL STRIKE

Mr. **Conte**. Well, thank you, Mr. Chairman.

I would like to welcome this distinguished group. I think it is fitting that in an agency charged with labor-management services, that direction should take place through a troika. I assume you all work together cooperatively, and don't need to practice dispute resolution.

I want to commend my good friend, George Bush, the President, for the two outstanding appointments. Mr. Stepp has been with us for eight years. The two new appointments are equally well qualified, Mary Sterling, has an outstanding record as a law enforcement prosecutor.

And Mr. Ball also has a very outstanding record. David, I want to congratulate you. I know you gave up a lot to come to the Federal Government.

I'm sure both of you will make great contributions to the Department.

Mr. Stepp, the only reason we are all here today is because baseball spring training is postponed. I hope you are trying to bring our nation's pastime back to prime time. What can you tell us about the baseball strike?

Mr. **Stepp**. Well, right now the prospects don't look particularly good. Clearly, we are monitoring very closely what is happening there, but the accounts that have appeared in the paper recently comport very well with the information that we have.

I think the great tragedy there is that if we do have a delayed or interrupted baseball season, it is all the men and women who are not part of those who are at the table who will suffer lost wages, because they are not there to sell hot dogs and park cars, and the entertainment business and the hotel and restaurant businesses where baseball is part of the major league establishment will be impacted; and those people number in the hundreds of thousands. It is a big industry.

USE OF LABOR-MANAGEMENT COMMITTEES

Mr. **Conte**. You mention in your statement you are helping the states use labor-management committees to ease the impact of layoffs and plant closings——

Mr. **Stepp**. Yes.

Mr. **Conte** [continuing]. Under the Employee Dislocation and Worker Adjustment Act that we just recently passed. What function do these committees serve and how are they working?

Mr. **Stepp**. We work very closely with the Employment Training Administration to set up in the states that are interested, and so far we have been active in approximately 20 states, a network that uses the concept of labor-management committees—we borrowed the model from the Canadians—to help ameliorate all the problems that result when people are displaced.

And we have found that that is a very, very cost-effective tool, that when the leadership of the company and the leadership of the union sit down together, begin to seriously address how these problems can be resolved, that they find all sorts of creative ways to place people in jobs.

We are trying to build that capacity into the states. Principally, we see ourselves as a kind of manufacturer, the states being the wholesaler or retailer. So we are working closely presently with about 20 states and we hope in the forthcoming year to greatly add to that number.

Mr. CONTE. Would you for the record list all the states that now use these committees, and those that don't, and which states you are targeting to establish these committees?

Mr. STEPP. I would be happy to.

[The information follows:]

STATES USING EMPLOYMENT OF DISLOCATED WORKERS COMMITTEES

A total of 18 states have established some 53 labor-management-neutral committees. The 18 states are as follows: Alaska, Colorado, Georgia, Idaho, Illinois, Indiana, Iowa, Maryland, Michigan, Montana, New Jersey, New Mexico, Ohio, Pennsylvania, Utah, Vermont, and Virginia.

We are targeting all states to establish these committees by conducting Industrial Adjustment Workshops in many states. For example, the Bureau's Industrial Adjustment Service has cosponsored such workshops with the following 28 states over the last five years: Alaska, Arizona, California, Colorado, Connecticut, Florida, Hawaii, Idaho, Illinois, Kansas, Maryland, Massachusetts, Mississippi, Montana, New Jersey, New Mexico, North Dakota, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Vermont, Washington, and West Virginia.

IMPACT OF PLANT CLOSING ACT

Mr. CONTE. Mr. Stepp, I saw an interesting article in U.S. News and World Report claiming that the Plant Closing Act we recently passed had not turned out to be the great bugaboo that some had warned about it, and that in many instances, workers are getting retrained over the interim period. What is your reading of how the plant closing law is functioning?

Mr. STEPP. Our role under that is fairly minimal. ETA has the main responsibility. My own personal sense is that the article that you cited is accurate. Despite the debate that preceded the passage of the legislation, everyone seems to be adjusting to it quite well. But that is a personal impression drawn from afar. I am sure our friends at ETA could give you a more thorough analysis.

POSSIBLE NEED TO AMEND TAFT-HARTLEY

Mr. CONTE. I am pleased to hear your viewpoint. As you may know, I was the original sponsor of that bill with Congressman Clay. After ten years when we finally got that bill through Congress, it was a very watered down version of the original bill. Nonetheless I think it is working well.

A big issue in Massachusetts right now is a need to amend Taft-Hartley at the Federal level to permit collective bargaining to set up a housing trust fund to provide housing assistance to covered workers. I know, Mr. Stepp, that it is not directly on point, but would you or anyone else want to take a shot at whether from a labor-management relations perspective, this would be a good expansion of worker benefits?

Mr. STEPP. I know this matter is before the Solicitor's Office, and I am not sure of its present status. But in terms of good labor-management, it seems to me that to the extent that the scope of bargaining has expanded, the parties are prepared to deal with all issues that are important to them, then the outcome is an enhanced relationship and an improved relationship.

Mr. **Conte**. Anybody else care to comment on that?

Mr. **Ball**. The Administration has not taken a position.

BUDGET PROPOSAL TO ELIMINATE PHD GRANTS

Mr. **Conte**. Mr. Stepp, how do you feel about the budget proposal to eliminate the PhD grants initiative?

Mr. **Stepp**. Well, when we were confronted with the Gramm-Rudman reductions, we had to make some difficult choices. The PhD grants program was a very small program, but we thought one that had the potential to provide some very useful things in the more distant future. Clearly, if we don't have scholars coming out of our major universities who understand industrial relations and who can contribute their brainpower and expertise over time, I think we will suffer.

Yet when you are confronted with the need for budget cuts, I think sometimes maybe not so wisely, you sacrifice long-term gains for short term needs. I had to make some tough choices and decided that the payoff from that grants program is so distant and so difficult to measure, that it would be an area where we could make some adjustments that would be less painful to us than any other alternative that I could see.

FILING OF REQUIRED LMRDA REPORTS

Mr. **Conte**. I understand.

Ms. Sterling, the budget proposal would provide an additional ten positions to enhance enforcement in delinquent reporting areas. Both your statement and the justification were very careful to state that "some" unions fail to file the required financial reports. What percentage of the 43,000 unions covered by the Landrum Griffith Law, fail to file timely annual financial reports? What percentage of the reports are deficient and need further work?

Ms. **Sterling**. Unfortunately, approximately 75 percent of the reports have some deficiency. Now, it can be very minor, and most of that is corrected by compliance activities. In other words, asking them to please do this or to help them understand what they need to do. So although there is a big deficiency percentage, much of it is corrected by this delinquency/deficiency follow-up, if we have the work force to do it.

On the other hand, we do have 22 percent delinquent reports, which means they just do not file them on time. That too is eventually corrected. The first letter that goes out usually brings most of them back in the fold.

So actually, of those who just flat out will not do it, it is probably down around 1 percent. It is very low.

Mr. **Conte**. Is it from these reports that you are most likely to pick up signs of trouble, or is it from your audits that you pick up most of the problems?

Ms. **Sterling**. They go hand in hand. These reports are reviewed. Each report that comes in is reviewed by the staff. The new compliance officers would be the ones reviewing the reports, the ten new positions, but even now they are reviewed initially and flagged for problems. From the reports, some can be referred for investigation based on the reports. The reports are also used to examine perhaps which union should be audited or examined next.

So the reports are very important, not only to fulfill the statutory requirement that we collect those reports and make them available to the public, at the rate of 10,000 requests per year, but also for the Compliance Audit Programs and targeting programs, as well as for criminal investigation.

SPECIAL ELECTION CONTINGENCY FUND

Mr. **Conte**. Ms. Sterling, you state that reduced appropriations and budgetary constraints in fiscal year 1990 will result in a reduction in the Special Election Contingency Fund. What will be the effect of that reduction, if any?

Ms. **Sterling**. We have taken a substantial cut I think we took a $100,000 cut in FY 1990. Most of that was for Gramm-Rudman. $12,000 of that was at our discretion for the conference committee cut. We are looking at a number of large election reruns in the following year, but we are going to try to make it through all of them without resorting to depleting that fund or otherwise missing any of our responsibilities. We have done that through belt-tightening. The largest election rerun we had last year took $25,000 from the Special Election Fund. So as it stands right now, we think we will be fine.

Obviously, we are keeping an awful close look at that bottom line, because it is very tight. I do not mean to suggest that it is not.

REQUEST FOR 100 NEW POSITIONS FOR PWBA

Mr. **Conte**. Mr. Ball, the budget requested an additional 100 Pension and Welfare Benefit staff positions, this is one of the main initiatives of Secretary Dole. Will these additional staff make a dent in your ability to oversee a $1,700,000,000,000 pension system?

Mr. **Ball**. Congressman Conte, I believe that it will have a significant impact on our investigations. In 1989 we conducted about 1,600 investigations. With the additional staff, we should be able to add an additional 1,000 cases and reporting compliance reviews to the investigations we are doing. So it will have a significant impact on the enforcement capability of the Pension and Welfare Benefits Administration.

Mr. **Conte**. Is the Teamster fund still under court jurisdiction?

Mr. **Lebowitz**. Yes.

Mr. **Conte**. How long has it been under court jurisdiction?

Mr. **Lebowitz**. It is a better part of a decade, and the consent decrees will remain in place until after the turn of the century.

Mr. **Conte**. Thank you, Mr. Chairman.

Mr. **Natcher**. Yes. Mr. Stokes, I yield to you.

CHANGES IN LABOR RELATIONS POLICIES AND PRACTICES

Mr. **Stokes**. Thank you, Mr. Chairman.

Mr. Stepp, let me start with you. In your opening statement you mentioned that, and I quote you, "Fast paced change in labor relations policies and practices, both in the United States and abroad, spurred the bureau to create new program services in 1989." Can you tell us what some of these policy changes were that spurred this action on your part?

Mr. STEPP. The policy changes, sir, or the program response?

Mr. STOKES. I want to get to that too, but I want to see what caused you, or what spurred you to initiate your program services.

Mr. STEPP. Well, I go back to my comments of a few minutes ago. As we look about, we see our labor-management community trying to cope in a very turbulent world, characterized by rapid changes in global competition and new technology, and even the changing demographics of our workplace, and we think for that community, the labor-management community, to be successful in coping with this turbulence, they are going to need to understand the nature of it, a longer term adjustment that will be required, and equally important, that they be equipped with the tools that they need in order to make the collective bargaining system work in a new world.

COUNTRIES HAVING THE MOST PROGRESSIVE LABOR PRACTICES

Mr. STOKES. Which countries would you say have the most progressive labor policies and practices?

Mr. STEPP. Well, certainly in terms of the attention paid to new work innovations, experimentation with new work arrangement, the Scandinavian countries are most impressive in what they have done, and the attention that they are giving to the social technology, as opposed to the hard technology.

I think too often we focus on the hard technology issues, and we fail to see that unless we make corresponding changes in the way we organize work and working relationships, the way we treat people, the way people are employed and deployed, we fail to reap the benefits of the hard technology.

The Swedes, the Norwegians, the Scandinavian countries in particular, West Germany, have spent a great deal of time and attention trying to understand the social effect of this, and how the workplace can be modified in order to create responsive, active, engaged people. And we have learned a lot from them.

PROGRAM SERVICES INITIATED

Mr. STOKES. Now let's get to the program services that you were spurred to initiate.

Mr. STEPP. Yes. Let me mention three or four product lines that we have developed, or are developing.

One is one that I did make reference to: interest-based bargaining, win/win bargaining. We have worked closely with the people at MIT, the Sloan School, as well as Harvard, understanding the work that they have been engaged in now for about 15 years, and how negotiations can be done in such a way as to produce mutually advantageous outcomes, be they negotiations of an international nature, negotiations of a business nature, or labor relations negotiations.

We have developed a two-day training program for labor and management which we have test piloted now in 22 settings, with labor and management, and the results have been most impressive. We have done it in the private sector, both in manufacturing and services, we have done it in state and local government, and we have done it in the Federal Government, and we are on the verge now of putting that product line into our delivery system with every FMCS mediator being a potential deliverer, as well as state organizations like those that exist in the state of Ohio—area labor-management committees, labor education centers, et cetera.

Another product that we have developed is an on-site program for the top people in both labor and management where they have an opportunity to do some joint decisions about what they want to become, and the commitments that they are prepared to make to one another in order to make that journey a successful one, a kind of strategic planning that is done by both labor and management together, not separate and apart, but together. We are very impressed with the results that we have gotten from this as well.

Another program that will be available to the parties very, very shortly is something we call committee effectiveness training. It has eight modules, which can run up to two weeks in terms of training. As you undoubtedly know, most labor-management initiatives are driven by a joint committee, and too often we find these joint committees, steering committees, whatever they may be called, ill equipped to do the job that they have taken on to do.

They don't have the necessary knowledge about how such a committee can function and function effectively, nor do they have the skills and the behaviors necessary. So we are trying to provide them with a series of training programs that are modulized to enable them to operate much more effectively.

Still one other area is in the dispute resolution system. The use of grievance mediation we are finding is a greatly underutilized tool in resolving disputes arising out of the interpretation of the labor agreement. It costs a fraction of arbitration; the time that is necessary is about 25 days, as opposed to almost 300 days now for an arbitration ruling.

But more importantly, we are finding that through grievance mediation, the parties themselves construct their own solutions. They don't turn it over to an outsider to give them a judicial opinion. And this changes the whole dynamics of the relationship, because they begin to explore options, they begin to explore mutual interests and they find real and lasting solutions to very real problems.

All of these we think are examples of the kinds of tools, the kinds of products that labor and management must have, if they are going to be able to assure us of a viable collective bargaining system, and a decade characterized by unprecedented change.

HEALTH CARE COSTS

Mr. STOKES. Let me also ask you this, Mr. Stepp. Your research program seems to be studying some very timely issues. For instance, health care cost concerns in the hospital industry, and ways in which labor and management can deal with substance abuse. Can you tell us a little bit about those two programs?

Mr. STEPP. Well, I can tell you about why we have targeted those for 1991.

Clearly, if you look at the most recent year in terms of labor disputes, the issue that has been paramount and the most difficult dispute that we have had in the late 1980s and continuing into this year is the health care issue. You saw it in the Bell negotiations with AT&T, as well as the Baby Bells. Clearly the Pittston dispute centered on health and welfare issues. In the forthcoming automobile negotiations, that is going to be one of the two largest issues, employment security I think being the other. Clearly the parties are wrestling with the ever-rising astronomical increases in health care costs and the adjustments that they can jointly make together to try to ameliorate that.

We are finding that at least on the margin, labor and management do have some capacity together to influence health care costs, and we would like to find the cases where that is done best, and be a vehicle for sharing it with others, so that they too can consider the same techniques.

With respect to the drug issue, I think the importance of that is self-evident. We believe that here labor and management have mutual interests, and we would like to look at the most exemplary cases that we can find where labor and management have successfully addressed drug issues, and then make that available to a much larger community so they could seriously consider replicating the successful strategies that have been undertaken.

Mr. STOKES. Very good.

Ms. Sterling, let me ask you a question. Your 1990 budget was around $25,000,000. You have a staff of 420.

Ms. STERLING. Correct.

LEVEL OF EMBEZZLED UNION FUNDS

Mr. STOKES. In fiscal year 1989 in the area of criminal enforcement, and I noted, by the way, you have an excellent background in criminal prosecutions, the efforts of your office resulted in the return of 168 indictments and other criminal actions, and 149 convictions in pretrial diversion agreements. $2,000,000 in embezzled union funds were recovered in the same time period. I am wondering what portion of the embezzled funds do you actually believe this figure represents, and if you have any way of being able to provide us that kind of information?

Ms. STERLING. No, not with any reasonable certainty of a figure. Obviously, I do not believe that we detect and capture all of the embezzlement or all of the crime. We do project and expect these figures to go up, particularly with our investigators being freed up from some of this delinquency and deficient reporting obligations to devote more of their time to investigations. So it is difficult for me to give a figure and say that in the universe of all the union funds and the 17,000,000 members that we have detected all of the embezzlement or perhaps maybe we have only hit a tip of the iceberg.

But I can say most definitely those figures will go up, and we would expect to find more crime. I do not want to equate, though, the fact that we expect to find more embezzlement and have more criminal cases with the thought that I am saying that I think that criminality in the unions is going up. I just think we will have better enforcement and detection. I am not saying criminality is increasing at all, but that increased enforcement will explain why we have more criminal cases in the future.

Mr. STOKES. I see. Thank you very much. Thank you, Mr. Chairman.

Mr. NATCHER. Yes. Now, Mr. Ball, how long have you been on board as Assistant Secretary?

Mr. BALL. I was confirmed, Mr. Chairman, in October, 1989.

Mr. NATCHER. Tell us, if you will briefly, about your previous employment background.

Mr. BALL. After law school, Mr. Chairman, I worked for a Wall Street law firm for five years. Then I was assistant general counsel—well, first of all general counsel of a small company listed on the New York Stock Exchange, and then assistant general counsel of a larger company.

In 1974 I went to work for Amax, Incorporated; and when I left Amax, to come down for this job, I was senior vice-president of the company.

PRIORITIES OF ASSISTANT SECRETARY BALL

Mr. NATCHER. Since arriving and taking over your new assignment, have you made any significant management or organizational changes?

Mr. BALL. Since I have been down here, I have had several priorities, Mr. Chairman. The first has been in the enforcement area. As you note, before I was confirmed, the Inspector General at the Labor Department issued a report that got a great deal of publicity with regard to the enforcement effort in the Pension and Welfare Benefits Administration. This was an area that had interested me anyway, and I have spent a great deal of my time in that area in trying to see how we can strengthen enforcement of the pension and welfare laws.

Mr. NATCHER. Have you established any major goals that you want to accomplish during the coming year, anything that you don't have in your statement to us, Mr. Ball?

Mr. BALL. I would like to increase public confidence, Mr. Chairman, in the enforcement, and administration of ERISA, so that the workers and retirees of the United States have confidence in their benefit programs.

CONDITION OF THE COUNTRY'S PENSION SYSTEM

Mr. NATCHER. Mr. Ball, how would you characterize the overall condition of the private pension system in this country at this point in time?

Mr. BALL. The pension system in the United States, Mr. Chairman, has never been healthier. In 1974, when ERISA was enacted by Congress, approximately 35 percent of defined benefit pension plans in the United States were fully funded. Today, over 80 percent of those plans are fully funded. In 1974 the assets in the private pension system were approximately $290 billion. Today, the number is over $1.7 trillion.

Mr. NATCHER. I have been reading a lot during the past year about the concerns expressed by the Labor Department's Inspector General about the potential Federal liability associated with the insurance of private pension benefits. The Inspector General has even made some comparisons with the savings and loan crisis. You have read those articles, Mr. Ball. What do you think about this?

Mr. BALL. Well, as a new person only just confirmed, Mr. Chairman, I had ambivalent feelings about this. On the one hand, I was very grateful to have an independent person look at my function, audit that function, and suggest ideas about how that function could be strengthened. In that sense, I was very grateful for the Inspector General's comments.

On the other hand, there was something very unfortunate about his comments, and that was that he exaggerated the problem. By exaggerating the problem, he frightened people, rather like crying fire in a crowded theater. This has had the effect of frightening pensioners in the United States in a way that is not appropriate, or warranted, and it is very unfortunate.

PENSION PLANS COVERED BY ERISA

Mr. NATCHER. How many pension plans, Mr. Ball, are covered by ERISA?

Mr. BALL. Over 900,000 private pension plans filed a Form 5500s series report with the Labor Department.

Mr. NATCHER. How many people are in the covered plans?

Mr. BALL. About 55,000,000 people are in ERISA covered pension plans.

Mr. NATCHER. About what percentage of the American work force is covered by a private pension plan?

Mr. BALL. About half of the full-time work force, Mr. Chairman.

Mr. NATCHER. Is the number increasing?

Mr. BALL. Yes. I think it is increasing slightly. We have, as a matter of policy, an interest in seeing how we can expand coverage to people who are not already covered.

Mr. NATCHER. Can you tell us what the total assets of private pension plans amount to at this time?

Mr. BALL. Over $1.7 trillion.

Mr. NATCHER. How many plans do you intend to investigate in 1990 and 1991, just approximately, Mr. Ball?

Mr. BALL. The Pension and Welfare Benefits Administration has over the last few years put in a new automated information system. This is the most important tool in our review of plans and our enforcement of plans. The way it works is that the Form 5500 is sent to the IRS, who functions as our agent, and the IRS puts the information on these reports, all of it, into a computer database system which is then made available to us. That new system went into effect with regard to filings for plan year 1988, and about two-thirds of the returns for that year are now on that system.

That system enables us to have all pension plans in the United States on our radar screen. That does not mean that we investigate all of them. But we have, as part of that information system, 95 targeted objectives that, based on our experience with ERISA, have enabled us to know where there is a red flag, where there might be fraud or abuse or inappropriate behavior.

Those 95 targeted objectives bring our attention to matters that should be investigated pursuant to our enforcement strategy. Under our "significant issue" cases, we look at 78,000 plans. We have manual audits by our field offices of another 28,000 plans. As a result of this enforcement review, in fiscal year 1989 we had 1,600 investigations.

As I mentioned earlier, with the additional staff and with this new information system, we hope that the number of enforcement actions will increase by 1,000.

INVESTIGATIONS OF PENSION PLANS

Mr. NATCHER. About what percentage of the total will that represent?

Mr. BALL. Well, we are looking at all plans. They are all on our radar screen. The investigations of 1,600 last year, would be about 1.6 to 2 percent of the total. So that is the result of a long process.

Mr. NATCHER. In what percentage of plans that you investigate do you find violations of the law and regulations?

Mr. BALL. Of the 1,600 investigations, about one-third of them result in some kind of a settlement, civil settlement before a trial, or a court decision, or an indictment. So in about one out of three cases, we have a result of some kind.

Mr. NATCHER. Now, Mr. Ball, when you find deviations, violations, what do you do? How do you proceed?

Mr. BALL. Well, Mr. Chairman, there is no distinction in our investigation between civil and criminal investigation. We just have investigations, just like the SEC, and we pursue those investigations wherever they may lead. In most of the cases we find a problem that is not a criminal problem. Our primary objective is to restore the assets to the plan, so that the participants are not hurt by the action that has occurred.

However, if in the process of investigation we find something that suggests there may be a criminal matter, we refer it to the U.S. Attorney, and we will then proceed to work with the U.S. District Attorney in pursuing an indictment, and a criminal prosecution of a case.

BUDGET REQUEST FOR OLMS

Mr. NATCHER. Ms. Sterling, you are requesting $26,052,000 for the Office of Labor-Management Standards, which is an increase of $943,000. Does this provide adequately for all of your increased costs in 1991?

Ms. STERLING. Obviously in the best of all worlds and in unlimited budgets, we could use more money. But, we have tightened our belts and buckled down to bare bones, and believe we can meet our responsibilities within these budgetary constraints.

Mr. NATCHER. What about the January 1991 Federal pay increase? How would you cover this cost?

Ms. **Sterling**. That is going to be a 3.5 percent increase for us. The agency is absorbing in its budget half of that, for $246,000, and the rest is covered in the $943,000 increase, so we are absorbing about half of it.

Mr. **Natcher**. How many field investigators are currently on board in your office at this time?

Ms. **Sterling**. 211.

Mr. **Natcher**. What is your authorized ceiling for investigators for 1990 and 1991?

Ms. **Sterling**. 221.

Mr. **Natcher**. How does your workload break down between civil and criminal enforcement? What is the ratio?

Ms. **Sterling**. If we are talking about just criminal investigations, it is about a third. The difficulty with that is so much of our auditing activity is directed toward finding and identifying, red flagging items that could result in a criminal investigation. All told, investigations take about 64 percent of our work force time, and over 28 percent of the investigators' time is spent in audits. So a good portion of time spent in auditing does fall within criminal investigative responsibilities, but we do not break it out in our statistics as being separate, because so much of it is intertwined with auditing.

Mr. **Natcher**. Mr. Conte, I yield to you.

ROLE OF INDEPENDENT PUBLIC ACCOUNTANTS IN ERISA ENFORCEMENT

Mr. **Conte**. Thank you, Mr. Chairman.

Mr. Ball, what is the role of the independent public accountants' IPA report in ERISA enforcement?

Mr. **Ball**. The independent accountant is utilized to audit the larger plans. These are plans of more than 100 participants. In connection with those plans, there is an audit requirement.

Mr. **Conte**. The Inspector General has recommended that the limited scope audit exception be eliminated. How much of the pension funds end up being covered by the audit exception, and what is the Department's position on repealing this exception?

Mr. **Ball**. I believe about half of the plans that are audited have utilized the limited scope exception. As part of the Secretary's review of ways to strengthen enforcement, and the administration of the pension laws, she has developed some legislative proposals. Those proposals are almost ready for submission, probably later this month. One of the items in that is the elimination of limited scope audits.

Mr. **Conte**. You state in your testimony, Mr. Ball, that you are committed to completing your review of these proposals regarding the IPA by March the 15th. What effect would adopting the recommendation of the Inspector General regarding the IPA have on your budget needs, if any?

Mr. **Ball**. I don't see any direct impact. We have worked with the Inspector General, and in large part, we found common ground. There are matters that he has raised that will strengthen the enforcement of ERISA.

Mr. **Conte**. Will you need more money?

Mr. **Ball**. I am sorry, could you repeat your question.

Mr. **Conte**. You said that half the pension funds now are covered by the exception, so if you wipe out the exception, I see a tremendous workload coming up.,

Mr. **Ball**. No. The cost of the audit is borne by the plan's sponsor, not by the Labor Department. There has been some question about the increased costs of the audits.

Mr. **Conte**. The cost of review?

Mr. **Ball**. Not the cost of the review on our part. There is increased cost on the part of the plan's sponsor to conduct the audit, but as far as what is coming through to the Labor Department on a Form 5500, we believe will get a better product. We need additional funds because we want to strengthen enforcement and because we have not had a significant increase in our staff over the last ten years. The amount of money in ERISA pension plans has gone from about $600 billion in 1980 to $1.7 trillion, and we are stretched pretty thin.

But on this particular matter, the function of the IPA is to utilize the private sector in strengthening enforcement. Those particular changes are not a burden on the government. It would be a burden on the plan's sponsor, and to some extent there may be resistance to those changes for that reason.

Mr. **Conte**. The President is exploring ways that private individuals could sue their employers in pension disputes as a way of overcoming shortages of Federal regulators in the pension system. Isn't this an admission that the current system isn't meeting the current oversight need?

Mr. **Ball**. Well, it would be premature to speculate what, if any, changes the Administration will recommend in this area.

We furnished the Secretary with some recommendations for strengthening enforcement, and particularly the private right of action. However, there already is a private right of action under ERISA, and it is likely that the recommendations the Secretary will make will go to strengthening something that is there, rather than creating something new. One possibility would be to assist people in pursuing that private right of action.

GROWTH IN PENSION PLANS

Mr. **Conte**. From a policy perspective, Mr. Ball, would you prefer to see the pension systems keep growing so that the remaining 48 percent of the workers are covered, or would you prefer the 401(k) individual retirement plans?

Mr. **Ball**. Well, the growth, Congressman Conte, in the pension area, has been in defined contribution plans and particularly in the 401(k) plans. I would expect that growth to continue.

It is a very popular feature with employees, and many small businesses, especially, tend to put in 401(k) type plans rather than defined benefit plans, because the administrative burden of defined benefit plans has become very onerous for employers in recent years.

So I would think there would be more growth in that area, but it is growth dictated by the marketplace, of course, not by the government.

UNDERFUNDING OF PENSION PLANS

Mr. CONTE. Mr. Ball, is under funding of pension plans no longer a problem?

Mr. BALL. It is always a problem when a plan is underfunded, Congressman Conte, but we are very pleased that Congress has taken action to strengthen the funding of pension plans. Many plans have come into line, and currently over 80 percent of defined benefit plans are fully funded. I think ERISA and the changes that Congress has made with regard to funding of pension plans is one of the great success stories of our economy.

Mr. CONTE. Does ERISA apply to the Federal Government?

Mr. BALL. No, sir. There is another statute.

Mr. CONTE. Most of the federal pensions are under funded.

Mr. BALL. I will ask my deputy to comment on that.

Mr. CONTE. And getting away with it.

Mr. LEBOWITZ. Well, the federal systems are funded—the new federal system, of course, is funded differently from the old Civil Service Retirement System. The part of the new system that we regulate, the Thrift Investment Fund, is very similar to a 401(k) plan. There is an actual match of employee contributions and governmental contributions, which are invested as the employee directs.

RECEIPT OF SUFFICIENT ANNUAL REPORTS

Mr. CONTE. I will tell you, if we didn't have printing presses, I would be damn worried about my pension, and yours too, Mr. Chairman, and yours too, Mr. Stokes. Mr. Ball, your agency, like Ms. Sterling's, is also getting into the business of trying to demand and enforce the annual reports from the 900,000 pensions and welfare plans.

What resources do you have to adequately digest these reports, insist on having deficiencies remedied and finding those who don't.

Mr. BALL. I assume, Mr. Conte, you are referring to the Form 5500. We do have this new system that is just now going into place which will make those Form 5500s available to us on a much faster basis.

We will probably cut the time in which we will be able to have information ready to look at a particular plan by more than half. It will be a significant reduction in the time in which it takes for us to get the information to then conduct an investigation.

Mr. CONTE. I understand, Mr. Ball, you are getting into a couple of new areas—welfare arrangements, and continuation of health care coverage. Can you describe any problems you are encountering, and what resources are needed to expand your coverage of these new activities?

Can you get that for the record?

Mr. BALL. Yes, sir. We will provide that for the record.

[The information follows:]

HEALTH PLAN ENFORCEMENT ACTIVITIES

In December of 1986 the Department of Labor announced a new Enforcement Strategy Implementation Plan (ESIP) that set forth PWBA's enforcement priorities. The ESIP stated that the Department would initially direct fifty percent of its enforcement efforts toward investigations of abusive practices involving welfare plan service providers and financial institutions that serve as pension plan fiduciaries. The Department is concerned about service provider arrangements with welfare plans pursuant to which certain service providers and subcontractors enrich themselves at plan expense by providing no services, unnecessary services or duplicative services. The net effect of these practices is that money which could otherwise be used to increase benefits or reduce costs of administration is, in fact, being wasted.

The Consolidated Omnibus Budget Reconciliation Act (COBRA) amended the Employee Retirement Income Security Act (ERISA) to require that health plan sponsors provide terminated employees and beneficiaries with the opportunity to receive continued health benefits at group rates. COBRA sets specific rules on who qualifies for continued health coverage and length of coverage, how a plan sponsor must inform employees and beneficiaries of their COBRA rights and the election process, and how premium payments must be handled. The Department's enforcement efforts have, for example, already resulted in the filing of a lawsuit in the case of an alleged failure to allow employees to elect to continue their group health coverage.

FINES RECOVERED ANNUALLY

Mr. CONTE. This question is for any one of the three of you. Can you tell me how much money you recover in fines annually? How does this compare to what the estimated potential would be if you were able to completely cover the field?

Mr. BALL. Well, in the Pension Welfare Benefit Administration, over the last five years, we have recovered $480,000,000.

Mr. CONTE. How much?

Mr. BALL. $480,000,000. That is not all in fines; it is frequently in the form of assets that are recovered and restored the plans. I guess probably it is running about $100,000,000 a year. There are fines that are imposed on that settlement. I don't know the number. I would ask my deputy if he has the number.

Mr. LEBOWITZ. Well, under ERISA there are a variety of different civil penalties that apply in different circumstances, as well as tax penalties. And the IRS would have the precise number for the excise taxes that are applicable to prohibited transactions.

As I recall, it is running in the $5 or $6 or $8,000,000 a year range. That is the principal category of the fine. The Congress just recently enacted an additional penalty provision in ERISA, Section 502(e), that would impose a 20 percent penalty on an amount defined as the applicable recovery amount. That has only recently become effective and there is no experience there, not with the new fines and civil penalties relating to failure to file timely and complete Form 5500s.

That whole process is new and is just getting going. So we have no record to report at this time.

Mr. CONTE. Anything you—can you enlighten us anymore than that, or is that it?

Ms. STERLING. No.

Mr. CONTE. Would you say, Mr. Ball—that if we give you more money you will give us more revenue?

Mr. BALL. Yes, sir. We believe that with the additional resources, we should be able to bring 1,000 additional enforcement and compliance actions, which would produce an additional recovery of $46,000,000 in assets restored to plans. That is the estimate we have made. Of course, it won't be exactly $46,000,000, but that is the estimate we have made for recoveries to plans.

Mr. CONTE. Well, I will be looking for that $46,000,000 next year in the budget. For the record, the last question, your justification shows that OLMS lapsed $1,700,000 in FY 1989, can you tell us the reason for this? Also the justifications described a $258,000 reduction in fiscal year 1990 resulting from Public Law 99-177, and can you tell me what this is, if you could get those both for the record.

Get them for the record. Thank you, Mr. Chairman.

[The information follows:]

FY 1989 Unobligated Balance Lapse

The $1,667,000 shown as lapsing in the amounts available for obligation exhibit includes a carryover balance of $1,328,000 for the ERISA data base. The carryover balance is to be available through September 30, 1990. The carryover balance was inadvertently withdrawn and returned to the Treasury. The actual amount lapsing is $339,000, which is the difference between the amount shown as lapsing and the carryover balance. The breakout of the $339,000 by program is as follows:

Program:	*Amount Lapsed*
Labor-Management Relations and Cooperative Programs	$48,000
Labor-Management Standards	234,000
Pension and Welfare Benefit Program	57,000
Total	339,000

The $234,000 for Labor-Management Standards includes $226,000 set aside for the Special Election Fund.

FY 1990 Reduction Under P.L. 99-177

The breakout of the $258,000 reduction pursuant to P.L. 99-177 by program is as follows:

Program:	*Reduction*
Labor-Management Relations and Cooperative Programs	$20,000
Labor-Management Standards	88,000
Pension and Welfare Benefit Program	150,000
Total	258,000

Mr. Natcher. Mr. Stokes.

GUARDING FEDERALLY MANDATED HEALTH BENEFITS

Mr. Stokes. Thank you, Mr. Chairman.

Mr. Ball, I understand that the Pension and Welfare Benefits agency has a research strategy regarding federally mandated health benefits. As you know, this is an area that Congress is very much concerned with. I would be interested in hearing something about your research in this area.

Mr. Ball. Well, it is a research program, we are gathering facts. Alan, perhaps you would like to comment.

Mr. Stokes. Sure.

Mr. Lebowitz. We have spent a great deal of time and resources in the past few years to build, with some contract assistance, models that will help us analyze various legislative proposals that have been made to expand private health insurance coverage. These models also try to identify exactly how many people are truly not covered, and where there may be gaps in the current system of health care providers, so that those in a policy making capacity and the Congress, in making legislative judgments, can have the best information that we can provide.

Mr. **Stokes**. Do I understand then that this study is not completed? Is that what you are saying?

Mr. **Ball**. Yes, sir. There are about 31,000,000 Americans, or about 13 percent of the population, that don't have health insurance, and we are trying to establish what the facts are and why these people do not have coverage.

For example, is it because of not being employed, or some other factor.

PENSION PORTABILITY

Mr. **Stokes**. Last year we heard a great deal about pension portability. Secretary Dole was very interested in this area. Have you completed your study of pension portability?

Mr. **Ball**. The Secretary is very interested and continues to be interested in this area. We have developed some options for her, which she is now reviewing. She has not made a final decision on that, but it is a high priority for the Secretary.

ERISA ENFORCEMENT

Mr. **Stokes**. Mr. Ball, you are requesting an increase of 100 FTEs to strengthen your enforcement of ERISA. The Inspector General, the General Accounting Agency, as well as the congressional committees have concluded that ERISA enforcement is not adequate. Can you tell us the current ratio of enforcement of staff to pension plan assets, and how has this changed over the last 10 years.

Mr. **Ball**. We have been stretched very thin, Congressman Stokes.

We have roughly the same number of people today that we had 10 years ago, and the assets have gone up from about $612 billion in 1980 to over $1.7 trillion. We have only about 300 people in the Labor Department on the enforcement side.

With this additional help, we would get 100 additional people, and there are an additional 33 FTEs requested for the Solicitor's staff to pursue from a litigating point of view the enforcement of ERISA. Obviously, this is a very small group of people and we have to be very intelligent about how we use our resources since they are limited.

It is a big job, it is an enormous job.

Mr. **Stokes**. Sure. Thank you very much.

Thank you, Mr. Chairman.

Mr. **Conte**. I have no further questions.

Mr. **Natcher**. Mr. Ball, we want to thank you, Ms. Sterling, and Mr. Stepp for appearing before our committee on behalf of your budget request for fiscal year 1991. This has been a good hearing. We appreciate it.

Mr. **Ball**. Thank you very much, Mr. Chairman.

Ms. **Sterling**. Thank you.

[The following questions were submitted to be answered for the record and the justifications follow:]

HIRING SCHEDULE FOR NEW INVESTIGATIVE PERSONNEL

Mr. Natcher: If we approve your request for 100 new investigative personnel for 1991, what kind of a hiring schedule do you envision? How quickly do you plan to hire up?

Mr. Ball: During the last two years the enforcement recruiting program has been very successful. For example, during Fiscal Year 1989 we experienced a loss of 21 investigators, through successful recruiting methods we replaced those persons.

Upon approval of the 100 new positions, we envision immediate implementation of a major recruiting effort in order to fill positions as quickly as possible with individuals who have education and backgrounds in the areas of accounting, law, and finance. PWBA has also developed a comprehensive training program in basic investigative and regulatory areas as well as specialized skill training for its employees. With this program in place, we are prepared to provide training for all new investigative personnel.

Mr. Natcher: Where will you recruit these people? What background do they need?

Mr. Ball: We would recruit new staff primarily from colleges, law schools, and other state and federal government agencies.

Because of the complicated legal and financial nature of ERISA, for the last 5 years PWBA has concentrated its recruitment efforts towards individuals who have education and backgrounds in the areas of accounting, law, and finance.

Mr. Natcher: What would be the average starting salary?

Mr. Ball: The average starting salary for the 100 new positions would be $37,430. This average is based on hiring not only at the entry level, but the hiring of experienced personnel for supervisory and senior investigator positions.

Mr. Natcher: Will you have difficulty in attracting qualified candidates because of pay differentials with the private sector?

Mr. Ball: Although we have a successful recruiting program, we do expect some difficulty in attracting qualified candidates due to the pay differentials with the private sector. This is particularly true for recent college graduates.

TRAINING FOR INVESTIGATORS

Mr. Natcher: What kind of training do you provide your investigators?

Mr. Ball: PWBA has designed a comprehensive training plan for both National and Field Office employees. The plan has been primarily designed to support the enforcement program. The plan has the following principal training purposes:

1. Provide an orientation to recently hired professional employees in the employee benefits field and the statutory provisions of the Employee Retirement Income Security Act of 1974 as amended.

2. Provide specialized technical skill training to enhance the investigative capabilities of existing employees having work assignments in the enforcement area (e.g. techniques of criminal investigations).

3. Provide computer literacy and training in the use of specialized software designed for PWBA to access and utilize the benefit plan information available in the newly created automated data base.

4. Provide tuition payments for individual employee development purposes as specialized skills training needs are identified.

Among the several initiatives included in the plan are the development and presentation of courses unique to PWBA based on its ERISA-related enforcement responsibilities. The ERISA-related courses are divided into two general categories, entry level training and advanced skills training.

ENTRY LEVEL TRAINING

At the entry level, PWBA has developed a two part self-paced training program designed to introduce newly hired professional employees to those principles necessary to understand the establishment and operation of employee benefit plans and introduce the fiduciary responsibility provisions of ERISA. This self-paced program requires approximately 80 hours to complete and is intended for use in the first six months of employment. Newly hired professional employees are then scheduled for the Basic Training Course, a three week formal classroom presentation consisting of two segments: "Fiduciary Provisions of ERISA and "Investigative Techniques for PWBA." The first segment provides an in-depth background exposure to those provisions of ERISA for which PWBA has primary enforcement responsibilities. The second segment provides an introduction to the basic skills used by a field investigator. As determined by PWBA management, generally employees assigned in both the enforcement and non-enforcement areas of the program attend the first segment of this course. The second segment is intended for only those personnel involved in enforcement and enforcement-related work assignments. Attendance at the Basic Training Course is scheduled during the first year of employment.

PWBA currently offers three advanced skill level training courses to experienced employees. "Financial Institutions" is a seven day formal classroom presentation which focuses on the structure, operation and regulation of institutional investment managers (e.g. insurance companies, banking institutions and registered investment advisers), and the application of ERISA's requirements to the asset management responsibilities of such institutions on behalf of employee benefit plans. The course is designed for all employees involved in the enforcement program and selected other national office employees. The second, "Employee Benefit Plan Accounting" provides an introduction to the accounting principles applicable to books and records utilized in the administration of benefit plans; an understanding of the role served by an independent public accountant's audit of a benefit plan; and financial audit techniques for PWBA investigators. The course is designed primarily for newly hired employees in the enforcement areas who do not have a substantial accounting background. The third, PWBA Criminal Enforcement, focuses on the procedures and techniques necessary to conduct investigations involving specific criminal provisions of both ERISA and Title 18 of the U.S. code. The course is intended primarily for experienced investigators who have previously attended the "White Collar Crime Training Program" offered by the Federal Law Enforcement Training Institute. This course is scheduled to be presented for the first time in June 1990.

Other training initiatives are currently under way to address the needs of PWBA investigative personnel to access and utilize the information available in the new ERISA automated data base. All personnel are required to attain a certain minimum level of literacy with respect to the equipment soon to be available to the enforcement program. In addition, PWBA has contracted with the system developer to provide a two and one-half day end-user training program to all employees who will have access capabilities. This program is scheduled to be presented in April and May 1990.

PWBA has provided funding for employees to enhance their specialized skills by taking courses at local universities, attending continuing professional education seminars in areas related to work assignments, and participating in training programs offered by professional associations in the employee benefits area.

NUMBER OF FIELD OFFICES

Mr. Natcher: How many field offices do you currently have?

Mr. Ball: The current PWBA field structure consist of 10 Area Offices and 5 subordinate District Offices.

Mr. Natcher: Do you plan to increase that number?

Mr. Ball: The current location of the enforcement field offices was designed with the concept of geographical distribution of the office locations and at the same time recognizing the concentration of our affected universe -- employee benefit plans, service providers, including financial institutions and participants and beneficiaries. Given the breadth of the responsibility of enforcement activities, and the complexity of investigations that can require the commitment of a number of investigators for a substantial period of time, it was also decided that each office should be of sufficient size to be able to conduct major cases without jeopardizing other enforcement activities of the office.

The additional enforcement staff would be assigned to continue the concept of offices of sufficient size by increasing the size of a number of our current field offices. We also are considering whether we should open any additional offices.

STATUS OF ERISA AUTOMATED DATA BASE

Mr. Natcher: What is the current status of your new ERISA automated data base?

Mr. Ball: The ERISA Automated Information System is comprised of three major components, (1) A data entry system in which the information from the Form 5500 reports is transcribed and any errors or omissions are corrected, (2) a mainframe database which aggregates the data and subjects it to analysis for indications of violations and (3) a Field Office system which provides access to the data and a management information system by PWBA's 15 Field Offices. The first two components of the system have completed development and became fully operational in July, 1989. The last component is in the final stages of development and is expected to be fully operational in June 1990.

Mr. Natcher: How is the new system going to improve your enforcement capability?

Mr. Ball: The system provides complete, timely and reliable information in an automated form on all of the pension plans within PWBA's jurisdiction and on the welfare plans with more than 100 participants. This enables PWBA to identify all of the plans, and to subject the data to a comprehensive analysis to determine whether there are any indications of violations. This capability enables PWBA to conduct a review of all plans and select the targets for its investigations accordingly. This will tremendously improve the capability to provide coverage of all of the plans within PWBA's jurisdiction and improve the efficiency of the enforcement program through better case selection techniques. The system also incorporates a Case Management Information System which will enhance the ability to monitor, manage and evaluate the enforcement program.

In addition to these direct benefits the system will have a very significant deterrent effect. The awareness among plan fiduciaries that their activities are subject to this type of scrutiny should significantly strengthen the "enforcement presence" of PWBA which will prevent unlawful behavior from occurring.

Mr. Natcher: How much have you spent on the new automated system so far?

Mr. Ball: Approximately $25 million has been obligated to date on the new system. Approximately $ 12 million of this was for the development of the system and $ 13 million of this has been a reimbursement to the IRS for the first year and a half of the operation of the data entry system during FY 1989 and FY 1990.

Mr. Natcher: How much more will it require to become fully operational?

Mr. Ball: No additional funds will be required for the system to be fully operational.

FUNDS REQUESTED FOR THE DATA BASE SYSTEM IN FY 1991

Mr. Natcher: How much is in your 1991 request for the new system?

Mr. Ball: The FY 1991 request contains a total of $13.2 million for the operation of the system, $10.6 for the reimbursable payment to the IRS and $2.6 for the operation of the PWBA run components.

Mr. Natcher: Does that represent the annual ongoing operational cost of the system?

Mr. Ball: Yes,Mr. Chairman.

Mr. Natcher: Has the new system cost about what the original estimate projected to develop and install, or have there been substantial variations?

Mr. Ball: The system has been developed with capabilities beyond those on which the original estimates were based and at a cost which will be substantially below the original estimates. This has resulted in the ability to pay a significant portion of the FY 1990 operating costs from the development funds. The FY 1990 costs of the IRS operation of the system is estimated to be $6.4 million, rather than the $10.3 originally estimated for the FY 1990 budget.

STUDIES IN THE PENSION AREA

Mr. Natcher: What kinds of major studies do you have underway or planned in the pension area?

Mr. Ball: We have a number of studies underway investigating various issues relating to pension portability. We are investigating the effects of pensions on job mobility, the uses of lump sum payments, the effects of pension portability on women in the labor force, and pension portability options in other countries. In addition, we are planning on investigating the effects of pension portability on labor market productivity. We have several studies investigating cost-of-living adjustments for retirees. These include studying the effect of plan funding status on the probability of a cost-of-living adjustment being made, a study of the characteristics of workers receiving cost-of-living adjustments, and practices in other countries for protecting the real benefit levels of pension recipients. We have a study examining mergers, terminations and replacement plans. We are studying characteristics of plans with high turnover rates.

We are planning a study of policies in other countries to provide pension coverage to workers in small firms. We are considering a study of pension investments in insurance products.

Mr. Natcher: How much do you plan to spend on this in 1990 and 1991?

Mr. Ball: Our contract research budgets for 1990 and 1991 are $1.6 million and $2.1 million, respectively. These budgets are for both the pension and health benefits areas. We anticipate that roughly half of these monies will be spent on pension research.

UNION AUDIT ACTIVITY

Mr. Natcher: What percentage of coverage are you able to achieve each year in your union audit activity?

Ms. Sterling: OLMS conducts audits of union financial records under a number of existing programs, such as the Compliance Audit Program (CAP), International Compliance Audit Program (I-CAP), and criminal investigations. Therefore, it is difficult to specify an exact percentage of the approximately 43,000 reporting labor organizations that are audited in any given fiscal year.

During Fiscal Year 1989, 880 local unions were audited under the CAP program and 23 international and national unions were audited under the I-CAP program*. Union financial records are also reviewed during the conduct of criminal investigations so we may determine whether criminal violations of the Labor-Management Reporting and Disclosure Act of 1959, as amended (1959), have been committed and, if so, the amount of union funds embezzled. In Fiscal Year 1989, OLMS conducted 372 criminal investigations involving all types and sizes of unions throughout the country. Approximately a third of these criminal cases were opened based on findings from CAPs of local unions.

Therefore, these three programs, CAP, I-CAP and criminal investigations, directly accounted for approximately 2.7% of the universe of reporting labor organizations to be audited in Fiscal Year 1989.

* It should be noted that when conducting an I-CAP of an international or national union, selected desk audits are also conducted of the LM-2/3 financial reports filed by the union's affiliated bodies, and amended reports are requested to remedy identified deficiencies. If acceptable amended LM-2/3 financial reports are not filed, the matter is referred to the appropriate OLMS field office for investigation.

Mr. Natcher: What kind of progress have you made in auditing the large international unions?

Ms. Sterling: A total of 127 international unions have been audited under the International Compliance Audit Program

(I-CAP) since its inception in 1982. The following is a breakdown by year.

FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89	Total
6	10	18	13	9	20	28	23	127

The 127 I-CAP investigations completed represent over sixty three percent of the 200 international unions currently filing reports with OLMS pursuant to the provisions of the LMRDA/CSRA.

During its first eight years, the I-CAP has uncovered numerous violations of the LMRDA including inadequate records, deficient financial reports, bonding deficiencies, and embezzlements of union funds. International and national unions, in addition to cooperating during the conduct of audits, have voluntarily remedied civil violations without the need for Departmental legal action.

Compliance assistance efforts have been very beneficial in terms of correcting civil violations such as bonding deficiencies, and delinquent and deficient reporting for constituent local unions throughout the country. This type of high pay-off compliance assistance is extremely cost effective and productive.

EDUCATION AND COMPLIANCE ASSISTANCE ACTIVITIES

Mr. Natcher: How much emphasis are you placing on your education and compliance assistance activities?

Ms. Sterling: OLMS recognizes that voluntary compliance with statutory requirements by well-informed union officers, employees and members promotes the successful accomplishment of the agency's responsibilities in the most effective manner possible and reduces the need for enforcement actions. Therefore, OLMS has continually emphasized a well-balanced program which includes a wide range of compliance assistance/education and liaison activities to promote greater understanding of and compliance with the provisions of the laws enforced by OLMS.

In FY 1990, field offices will be devoting up to four percent (4%) of their investigative staff resource time to compliance assistance activities. However, this figure significantly understates the total time spent on such activities by the agency. Investigative personnel devote additional time to assistance and education during their conduct of cases, particularly during audits of labor organizations. Additionally, supervisory and managerial personnel in field offices spend significant time on compliance assistance. Finally, National Office personnel, particularly those in the Division of Liaison, Compliance Assistance and Training, have compliance assistance and related activities as a principal duty.

Among other things, OLMS is:

- developing new program seminars for use by field personnel to ensure accurate, effective dissemination of information;
- continuing previously initiated contacts with international and national union officials, and seeking to expand such contacts, to enlist their assistance in obtaining compliance by affiliates;
- producing compliance assistance information on videotape to facilitate extending education and assistance to the broadest possible universe; and
- developing Spanish language versions of compliance assistance publications to enhance contact with a significantly expanding subgroup of the Nation's workforce.

In addition to these and other new initiatives, OLMS continues to sponsor and participate in seminars and conferences on the law, respond to numerous written, telephonic and in-person requests for information and assistance, distribute pamphlets and reprints of the law free of charge to affected parties and the general public, and undertake other compliance assistance and education activities on a day-to-day basis to assist union officers, members and others to understand and comply with the law.

BUREAU OF LABOR-MANAGEMENT RELATIONS REDUCTIONS IN FY 1991

Mr. Natcher: What budget reductions are being proposed for the Bureau of Labor-Management Relations in 1991?

Mr. Stepp: A reduction of $186,000 is proposed in 1991 which would reduce the grants budget and eliminate a desktop publishing initiative.

WORKING RELATIONSHIP WITH THE FMCS

Mr. Natcher: How does the Bureau coordinate and work with the Federal Mediation and Conciliation Service?

Mr. Stepp: The Bureau has enjoyed a long and fruitful relationship with the Federal Mediation and Conciliation Service (FMCS). At the national level, we coordinate our respective agencies' strategies to ensure that duplication of effort does not occur. The development of training materials has been coordinated to ensure that the programmatic topics selected meet the needs of the labor relations practitioner, as identified by the field mediators. Once topics have been identified, the training programs are jointly developed by the Bureau and the FMCS.

The Bureau's strategy of building a delivery network is anchored by the FMCS field structure. The field mediators are involved, as co-deliverers, with Bureau staff in each training session. In addition, the field mediators are invited to participate in the development and delivery of all training

sessions, workshops, seminars and conferences. This strategy has served us well by insuring that each activity undertaken by the Bureau maximizes the availability of local resources and upon completion of the activity, the field mediator is in a position to provide the necessary follow-up to the parties.

EMPLOYEES ASSIGNED TO EMPLOYEE PROTECTIONS PROGRAMS

Mr. Natcher: How many of the Bureau's employees are assigned to the various employee protections programs?

Mr. Stepp: There are a total of eleven FTE's, plus one program director, assigned to our Office of Statutory Programs. The distribution of staff covering the various employee protection programs includes 8.5 for the Urban Mass Transportation Program, .5 for Airline Rehire, .75 for Redwood Appeals, and 1.25 for Redwood Health, Welfare, and Pension Claims.

LIAISONS WITH EDUCATION

Mr. Stokes: Mr. Stepp, last year you told us about an initiative to establish liaisons with organizations of teachers and school board administrators in order to explore ways to improve public education through labor-management cooperation. What is the status of this initiative?

Mr. Stepp: Since last year we have continued our relations with the Urban District Leadership Consortium. This consortium, sponsored by the American Federation of Teachers, is made up of 23 large urban city school districts which comprise a significant percentage of the Nation's student population.

Our May 1989 conference, Participatory Leadership: Schools and the Workplace, which discussed how public education can be improved through labor-management initiatives, was an overwhelming success. Attendance exceeded our maximum projections by more than one-third. By the end of the month we will publish, and have ready for distribution, a full report of the conference which will present positive examples of labor-management initiatives to improve public schools and discuss the policy considerations, roles, and skills which teachers, administrators and community stakeholders must consider and adopt in order to jointly restructure their schools.

We are finding a substantial demand for our training programs in public education. In the last year, we have provided Win-Win bargaining training to school districts in Albuquerque, New Mexico; Cheyenne, Wyoming; Cuyahoga, Ohio; Reynolds, Pennsylvania; and the Wyoming State Education Association. We have provided Partners-in-Change programs to school districts in Minneapolis, Minnesota, and Casper, Wyoming, and have trained the Albuquerque Public Schools in Committee Effectiveness. We have in preparation an Orientation to Joint Labor-Management Initiatives in Public Education which will assist neophytes to jointly approach educational reforms. This program has been piloted in Sharon County, Pennsylvania, and will be piloted again in Orange County, California, this spring.

RESEARCH IN THE HEALTH BENEFITS AREA

Mr. Stokes: Mr. Ball, I understand that PWBA has a research strategy regarding Federally-mandated health benefits. As you know, this is an area receiving serious consideration in the Congress. What can you tell us about your research in this area?

Mr. Ball: PWBA's research agenda is broad-based; it is not restricted solely to issues related to mandated benefits. ERISA generally regulates private employment-based health benefit plans with respect to reporting and disclosure, fiduciary duties and prohibited transaction restrictions, and certain aspects of COBRA continuation coverage. As a result, PWBA has an interest in a wide range of health benefit issues affecting workers and their employers.

In 1988, PWBA established a research contract with the RAND Corporation to create the RAND Center for Employee Health Benefits Research. One major project being conducted by the Center, in conjunction with the Urban Institute, is the development of a computer simulation model of the private health benefits system. When fully implemented, this computer model will be able to simulate the impact of proposed health benefits legislation on employers as well as workers and their dependents.

Mandated benefits proposals are just one of any number of legislative alternatives that are intended to be simulated by the computer model. The model is designed to estimate how the effects of such legislation would be distributed among subgroups of employers, workers and dependents. In particular, it would simulate how the impact differs by such characteristics as a firm's size, region, or sector of the economy, as well as by such characteristics as a worker's income, full/part-time employment status, or marital status. It is the capability to disaggregate the distributional effects of proposed legislation that sets this computer simulation apart from other models currently in use.

PENSION PORTABILITY

Mr. Stokes: Mr. Ball, last year we heard a lot about pension portability. Secretary Dole was very interested in this area. Has PWBA completed its study of pension portability?

Mr. Ball: The Department is reviewing the results of recent studies of the sources of portability losses, and we have initiated new, comprehensive research into the factors underlying workers' decisions to change jobs. In addition, the Department is considering formulating a proposal to address aspects of the current lack of pension portability. We are working on proposals to enhance portability, encourage preservation of retirement assets and expand coverage of workers in employer-sponsored plans.

REQUESTED INCREASE FOR ERISA ENFORCEMENT

Mr. Stokes: Mr. Ball, you are requesting an increase of 100 FTE to strengthen your enforcement of ERISA (Employee Retirement Income Security Act of 1974). The Inspector General, The General Accounting Agency, as well as congressional committees have concluded that ERISA enforcement is not adequate. What is the current ratio of enforcement staff to pension plans and assets and how has this changed over the past 10 years?

Mr. Ball: Based on 1987 data the current ratio of total enforcement staff of 301 to ERISA covered pension plans (a total of 873,000) is 2,900 plans to 1 enforcement position. By comparison, the 1977 ratio (based on 451,458 plans and no change in staff) was 1,500 to 1, an increase of 1,400 plans per staff member.

Utilizing the same 1987 base data the current ratio of plan assets (a total of $1.436 trillion) to enforcement staff of 303 is $4.8 billion to 1 enforcement position. The 1977 data revealed a ratio (based on assets of $363.4 billion and no change in staff) of $1.2 billion to 1.

Mr. Stokes: What would the ratio be if you received 100 additional FTE?

Mr. Ball: With the approval of the 100 new positions, and based on 1987 data, the ratio of ERISA covered pension plans to total enforcement staff would be 2,177 plans to 1 enforcement position.

FUNDS FOR HEALTH CARE RESEARCH

Mr. Porter: Mr. Ball, last year you requested an increase of $500,000 for health care research. After the sequester, how much were you able to allocate for this purpose?

Mr. Ball: PWBA's total 1990 research budget after sequestration is $1.6 million, which reflects a reduction of $0.5 million. Prior to sequestration, the health benefits research budget was $1.0 million. We currently expect to spend roughly half of the $1.6 million on health benefits research.

Mr. Porter: How much are you requesting for health care research this (1991) fiscal year?

Mr. Ball: PWBA's 1991 request for all research purposes is $2.1 million. The portion of this allocated for health benefits research studies is one-half, or $1.05 million, of the total research budget.

HEALTH CARE AGENDA

Mr. Porter: I understand that this money is part of a three-year health care research agenda. When will you complete that agenda?

Mr. Ball: PWBA began to develop a health benefits research program in 1988 that would address broad health policy issues related to the health care needs of America's workers. This health research agenda focuses on private sector employment-based health benefits and their role in the policy debate on reform of the national health care system. PWBA has unique interests and expertise in this area which are unduplicated at HHS and other agencies in the executive branch.

In September 1988, PWBA initiated the Center for Employee Health Benefits Studies, which is located at the RAND Corporation in Santa Monica and includes researchers from RAND, The Urban Institute and Harvard University. The Center is funded under a three-year contract with DOL/PWBA, which has to date awarded approximately $1.0 million from 1988 and 1989 research funds. The Center, which had been intended to reach a support level of $1.0 million in 1990, will now increase to that level with 1991 (final year) funds.

The RAND Center conducts various studies that are broadly related to the provision of health care benefits for America's workers. Such studies include:

- Modeling of Proposed Health Care System Reform Legislation: Urban Institute researchers are building into their Transfer Income Model ("TRIM") a capability to estimate the distributional effects on firms and workers of proposed expansions in health benefits for workers.
- Behavioral Analyses of Employer/Employee Responses to Change in Health Benefits System: RAND researchers are organizing a number of behavioral analyses around the core of data, models and analyses that were conducted as part of the RAND

Health Insurance Experiment.

- Studies of State and Private-Sector Initiatives: Researchers are tracking state legislative initiatives, analyzing the small business insurance market, and quantifying the effectiveness of private-sector health care cost management strategies.

Although the work of RAND's Center for Employee Health Benefits Studies will continue well into 1992-93 and its impact will be felt beyond that, this contract and related funding stream will terminate three years from the start date, i.e., in August 1991. In anticipation, PWBA will need to reevaluate health benefits research needs and to plan its research program for future years in light of agency and health benefits policy priorities.

Mr. Porter: Given the high level of congressional interest in health care reform, will your research be available to us in a timely fashion?

Mr. Ball: In 1988, PWBA supported several studies that are now published, including:

- "The Uninsured and Workers Without Employer-Group Health Insurance," Katherine Swartz, The Urban Institute, February 1989;
- "The Medically Uninsured: Special Focus on Workers," Katherine Swartz, George Washington University, July 1989;
- "Mandating Health Insurance Benefits for Employees: Effects on Health Care Use and Employers' Costs," M. Susan Marquis, et al., RAND Corporation, June 1989; and
- Controlling Costs and Changing Patient Care? The Role of Utilization Management, Committee on Utilization Management by Third Parties, Institute of Medicine, National Academy of Sciences, 1989.

Several reports from the research studies conducted at RAND's Center for Employee Health Benefits Studies will be released this spring and summer. These studies include:

- a nontechnical description of the TRIM/HEALTH modeling capability at The Urban Institute;
- Dr. Jacob Klerman's analysis of the effects on employment of increased labor costs;
- early studies based on the Survey of Income and Program Participation (SIPP) authored by Dr. Katherine Swartz, Dr. Klerman and Dr. Joan Buchanan;
- Dr. Susan Marquis' updated modeling of the impact of health insurance on health care use; and

- Dr. Arleen Leibowitz' and Dr. Marquis' analysis of the health status of the uninsured.

Mr. Porter: Will we actually be able to make adequate use of the information?

Mr. Ball: The Center was established to create a funding stream for the conduct of a series of modeling, behavioral and policy studies focused on the private employer-financed portion of the health care system during a period of intense debate on broad reform of the nation's health care system. The studies conducted at the Center are chosen for their relevance to health benefits policy issues and the timeliness of their completion in this policy context.

EASTERN AIRLINE PENSION FUND

Mr. Porter: Mr. Ball, I have heard from many of my constituents about irregularities in the handling of the Eastern Airline pension fund, first during its acquisition by Texas Air, and later during the strike and during bankruptcy proceedings. What has been your involvement with Eastern during the last several years?

Mr. Ball: The Department has brought two law suits against Eastern Airlines during that period. The first lawsuit resulted in Eastern repaying over $3 million to certain of its employee benefit plans, in resolution of a complaint alleging Eastern improperly charged those plans for actuarial expenses actually incurred by itself and its other plans. The consent order and the complaint were filed simultaneously on June 1, 1989. In the second lawsuit, the Department obtained a consent order requiring Eastern to adequately provide eligible individuals with the opportunity to obtain continued health benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA). The court action, filed December 8, 1989, specifies requirements Eastern Airlines must meet to assure that similar difficulties do not occur in the future.

Mr. Porter: Do you believe that the Eastern pension fund has been properly managed?

Mr. Ball: With respect to your question as to whether the Department believes the Eastern pension fund has been properly managed, I would note that the Department does not certify that the fund has or has not been properly managed. Where we have found problems in this regard, we have taken steps to assure that those problems are corrected.

Mr. Porter: What is the current status of Eastern's pension fund?

Mr. Ball: With respect to issues involving Title I of ERISA, we have seen no further problems concerning Eastern's pension fund, and therefore, the PWBA currently has no open investigation concerning Eastern Airline. We will, of course, continue to monitor the situation. The Pension Benefit Guaranty

Corporation, which guarantees certain benefits of defined benefit plans, is monitoring the situation.

Mr. Porter: Are employees at risk of losing their benefits?

Mr. Ball: The Pension Benefit Guaranty Corporation, which guarantees certain benefits of defined benefit plans, is monitoring the situation.

OHIO V. BETTS CASE

Mr. Porter: Mr. Ball, recently, the Supreme Court ruled in *Ohio v. Betts*. What was your involvement in that case?

Mr. Ball: The Department of Labor has no specific statutory or regulatory responsibility over the *Betts* issues and was not directly involved in that case. I would note that, to the extent we are interested in the *Betts* decision, it is due to its potential impact on retirement and welfare benefit plans subject to ERISA.

Mr. Porter: What is the Administration's position on S.1511, which was passed out of the Senate Labor and Human Resources Committee on Wednesday, Feb. 28, 1990? This legislation would effectively overturn *Ohio v. Betts.*

Mr. Ball: We anticipate that the Administration will present its position on this legislation in the near future. The Administration is currently reviewing S.1511, as ordered reported by the Senate Labor and human Resources Committee.

THE AGE DISCRIMINATION IN EMPLOYMENT ACT

Mr. Porter: Do you perform any enforcement activities under the Age Discrimination in Employment Act? If so, what are these activities?

Mr. Ball: The Department has no specific statutory or regulatory responsibility over the Age Discrimination in Employment Act, and therefore, we do not perform any enforcement activities under the Act.

JUSTIFICATION OF THE BUDGET ESTIMATES

LABOR-MANAGEMENT SERVICES
SALARIES AND EXPENSES

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LABOR-MANAGEMENT SERVICES

SALARIES AND EXPENSES

For necessary expenses for Labor-Management Services, [$75,207,000, of which $6,400,000 for a pension plan data base shall remain available until September 30, 1991: *Provided*, That of the amount appropriated by Public Law 100-202 for a pension plan data base, up to $1,500,000 of unobligated balances as of September 30, 1989 shall remain available for such pension plan data base until September 30, 1990.] *$90,051,000. (18 U.S.C. 664, 1027, 1954; 29 U.S.C. 301-401, 1001-1144; 50 U.S.C. App 459; Department of Labor Appropriations Act, 1990.)*

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation.....	1,017	$72,182,000	996	$74,207,000 1/	1,106	$90,051,000
Reduction pursuant to P.L. 99-177..	---	-----	---	-258,000	---	-----
A. Subtotal, Appropriation	1,017	72,182,000	996	73,949,000	1,106	90,051,000
Comparative transfer from: Departmental Management...	---	+97,000	---	-----	---	-----
B. Total Available Budget Authority....	1,017	72,279,000	996	73,949,000	1,106	90,051,000
Unobligated balance start of year......	---	+10,667,000	---	+4,941,000	---	-----
Unobligated balance end of year......	---	-4,941,000	---	-----	---	-----
Unobligated balance lapsing......	---	-1,667,000	---	-----	---	-----
C. Total, estimated obligations..	1,017	76,338,000	996	78,890,000	1,106	90,051,000

1/ Reduction of $1,000,000 pursuant to Section 517 of Title V - General Provisions, P.L. 101-166.

Summary of Changes

Budget Authority	1990	1991	Net Change
General Funds	$73,949,000	$90,051,000	$16,102,000
Total........................	$73,949,000	$90,051,000	$16,102,000
Full-Time Equivalent:			
General Funds................	996	1,106	110
Total........................	996	1,106	110

	General Funds	
Explanation of Change:	FTE	Amount
Increases:		
A. Built-In:		
Net cost of within-grade increases................	---	+370,000
Annualization of FY 1990 pay......................	---	+226,000
FY 1991 pay raise........	---	+464,000
FY 1991 executive pay....	---	+93,000
To provide for extra day pay......................	---	+150,000
To provide for increased cost of personnel benefits.................	---	+143,000
To provide for increased cost of FECA............	---	+130,000
To provide for increased cost of travel and transportation...........	---	+93,000
To provide for increased cost of space rental.....	---	+234,000

Explanation of Change:	General Funds FTE	General Funds Amount
To provide for increased cost of other rent, utilities and communications...........	---	+20,000
To provide for increased cost of printing.........	---	+18,000
To provide for increased cost of other services...	---	+1,151,000
To provide for increased cost of supplies and equipment................	---	+57,000
Annualization of ERISA Data Base (cost financed in 1990 with funding provided in prior years)..........	---	+4,160,000
Subtotal................	0	+7,309,000
B. Program:		
To provide LMS with additional staff for enforcement of its Delinquent and Deficient Reports Programs (1990 Base: FTE 420 Budget Authority: $25,664,000).............	10	+446,000
To provide PWBP with additional staff for ERISA enforcement.............. (1990 Base: FTE 505 Budget Authority: $49,485,000).............	100	+7,642,000
To provide PWBP with additional enforcement and training-related travel (1990 Base: FTE 505; Budget Authority: $49,485,000).............	---	+75,000

Explanation of Change:	General Funds FTE	General Funds Amount
To provide PWBP with additional expert witness litigation support....... (1990 Base: FTE 505; Budget Authority: $49,485,000).............	---	+100,000
To provide PWBP with additional contracting services for FERSA, IRS and research............. (1990 Base: FTE 505; Budget Authority: $49,485,000).............	---	+775,000
Subtotal................	110	+9,038,000
Total increase...........	110	+16,347,000
Decreases:		
A. **Program**:		
To provide for a reduction in grants and other non-personnel services...	---	-245,000
Total Decrease...........	0	-245,000
Total Change.............	110	+16,102,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable		1990 Appropriation 1/		1990 Estimate 2/		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority applied to General Funds:										
1. Labor-Management Relations & Co-op Programs..	71	$5,730,000	71	$5,805,000	71	$5,785,000	71	$5,923,000	0	+$138,000
2. Labor-Management Standards.......	435	25,071,000	420	25,196,000	420	25,108,000	430	26,051,000	+10	+$943,000
3. Pension & Welfare Benefit Program.	511	41,478,000	505	43,206,000	505	43,056,000	605	58,077,000	+100	+$15,021,000
Total Budget Authority...........	1017	$72,279,000	996	$74,207,000	996	$73,949,000	1106	$90,051,000	+110	$16,102,000

1/ Included in 1990 Appropriation:

Reduction of $1,000,000 pursuant to Section 517 of Title V - General Provisions, P.L. 101-166.

2/ Included in 1990 Estimate:

Reduction pursuant to P.L. 99-177.......$258,000 and 0 FTE.

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions.....	991	991	1,101	110
Full-time equivalent:				
Full-time in permanent postions................	991	991	1,101	110
Other postions..........	5	5	5	0
Total................	996	996	1,106	110
Average ES salary........	$78,712	$78,712	$95,961	17,249
Average GM/GS grade......	10.82	10.82	10.90	0.08
Average GM/GS salary.....	$35,930	$37,025	$38,299	$1,274
Personnel compensation:				
Permanent positions.....	$36,206,000	$37,275,000	$42,821,000	$5,546,000
Postions other than permanent...............	207,000	198,000	204,000	6,000
Other personnel compensation............	314,000	259,000	271,000	12,000
Subtotal, personnel compensation............	36,727,000	37,732,000	43,296,000	5,564,000
Personnel benefits.......	5,987,000	6,100,000	7,001,000	901,000
Travel & transportation of persons..............	2,267,000	2,235,000	2,850,000	615,000
Transportation of things.	97,000	77,000	130,000	53,000
Space rental.............	5,884,000	5,563,000	6,197,000	634,000
Communications, utilities and other rent..........	1,212,000	845,000	916,000	71,000
Printing and reproduction	439,000	442,000	480,000	38,000
Other services...........	20,670,000	20,067,000	26,997,000	6,930,000
Supplies and materials...	291,000	298,000	384,000	86,000
Equipment................	333,000	372,000	1,750,000	1,378,000
Grants...................	300,000	218,000	50,000	-168,000
Total, budget authority by object...............	74,207,000	73,949,000	90,051,000	+16,102,000
Working Capital Fund obligations included above...................	(4,513,000)	(4,665,000)	(4,960,000)	(+295,000)
Advisory and assistance services included above.	(132,000)	(131,000)	(131,000)	0
Federal Employees' Retirement System contributions included above...................	(1,154,000)	(1,154,000)	(1,329,000)	(+175,000)

SIGNIFICANT ITEMS IN 1991
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
1991 House Report (No. 101-172)	
No specific actions recommended.	
1991 Senate Report (No. 101-127)	
No specific actions recommended.	
1991 Conference Report (No. 101-274)	
No specific actions recommended.	

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request 1990	Budget Request 1991
Authorizing legislation containing indefinite authority		
Urban Mass Transportation Act of 1964 as amended (PL. 88-365), 49 U.S.C. 1601 et. seq............	$ 398,000	$ 408,000
Rail Passenger Service Act of 1970 as amended (PL. 91-518), 45 U.S.C. 501 et seq..............	31,000	31,000
Federal Highway Aid Act of 1973, (PL. 93-87), 23 U.S.C. 101 et seq...........................	31,000	31,000
Surface Transportation Assistance Act of 1978 (PL. 95-599), 49 U.S.C. 1614....................	31,000	31,000
An Act to create a Department of Labor (PL. 62-426), 37 Stat. 736; 5 U.S.C. 611......................	5,200,000	5,327,000
Labor-Management Reporting and Disclosure Act of 1959, as amended (PL. 86-257), 29 U.S.C. 401 et. seq...........................	24,204,000	25,113,000
Civil Service Reform Act of 1978 (PL. 95-454), 5 U.S.C. 7101.......	904,000	938,000
Employee Retirement Income Security Act of 1974 (PL. 93-406), 29 U.S.C. 1001 et. seq............	40,942,000	55,879,000
Redwood National Park Act of 1978 as amended (PL. 95-250), 106 U.S.C. 79b et. seq............	31,000	31,000
Airline Deregulation Act of 1978 (PL. 95-504), 49 U.S.C. 1301 et. seq...........................	63,000	64,000
Federal Employees' Retirement System Act of 1986 (PL. 99-335) 5 U.S.C. 8401 et. seq.............	2,114,000	2,198,000

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981	$59,834,000	$59,161,000	--	--
1982	53,957,000	62,325,000	$57,110,000	$54,910,000
1983	60,153,000	56,002,000	60,153,000	58,077,000
1984	64,130,000	62,148,000	60,511,000	62,136,000
1985	61,186,000	60,757,000	59,666,000	60,211,000
1986	57,505,000	57,505,000	57,612,000	55,042,000 1/
1987	62,275,000	62,275,000	62,275,000	62,275,000
1988	82,073,000	81,192,000	80,192,000	76,776,000
1989	73,059,000	73,059,000	73,059,000	72,182,000 2/
1990	75,207,000	75,207,000	75,207,000	73,949,000 3/
Reduction pursuant to P.L. 99-177				-258,000
1991	90,051,000			

1/ Reflects $2,463,000 reduction pursuant to P.L. 99-177.

2/ Reflects $877,000 across-the-board reduction pursuant to P.L. 100-436.

3/ Reflects reduction of $1,000,000 pursuant to Section 517 of Title V - General Provisions, P.L. 101-166.

LABOR-MANAGEMENT SERVICES
SALARIES AND EXPENSES

JUSTIFICATION

	1990 Appropriation 1/		1990 Estimate 2/		Difference App/Estimate		1991 Estimate		Difference 1989/1990	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Labor-Mgmt. Relations & Co-op Programs.....	71	$5,805,000	71	$5,785,000	0	-$20,000	71	$5,923,000	0	+$138,000
Labor-Mgmt. Standards....	420	25,196,000	420	25,108,000	0	-88,000	430	26,051,000	10	+943,000
Pension and Welfare Benefit Program......	505	43,206,000	505	43,056,000	0	-150,000	605	58,077,000	100	+15,021,000
Total Budget Authority....	996	$74,207,000	996	$73,949,000	0	-$258,000	1106	$90,051,000	110	+$16,102,000

1/ Included in 1990 Appropriation above:

Reduction of $1,000,000 pursuant to Section 517 of Title V - General Provisions, P.L. 101-166.

2/ Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177.................$258,000 and 0 FTE.

GENERAL STATEMENT

The appropriation for Labor-Management Services (LMS) covers several areas including labor-management policy and procedures, standards enforcement, and welfare and pension plan programs. In formulating LMS' fiscal year 1991 budget, resources have been carefully distributed in order to strengthen and support critical enforcement, regulatory, and cooperative labor-management functions.

The Labor-Management Services account provides funds for the following organizations: (a) Bureau of Labor-Management Relations and Cooperative Programs; (b) Office of Labor-Management Standards; and (c) Pension and Welfare Benefits Administration.

In the Bureau of Labor-Management Relations and Cooperative Programs (BLMRCP), emphasis is placed on providing support to high priority labor relations functions which are designed to encourage labor-management cooperation for continued enhancement of productivity and improvement in the competitive posture of the United States.

The Office of Labor-Management Standards (OLMS) strives toward the elimination or prevention of improper or corrupt practices by labor unions and their officers and representatives, and combats those serious violations of Labor-Management Reporting and Disclosure Act (LMRDA) and related acts covering Federal employee unions which interfere with democratic procedures within labor organizations.

The Pension and Welfare Benefits Administration (PWBA) is responsible for the enforcement of Title I of the Employee Retirement Income Security Act (ERISA) in both civil and criminal areas. PWBA is also responsible for enforcement of sections 8477 and 8478 of the Federal Employees' Retirement Act of 1986 (FERS).

The fiscal year 1991 budget request of Labor-Management Services represents a net increase of $16,102,000. The request includes an increase of 110 FTE for increased enforcement activity, an increase for the payment of expert witnesses, an increase for program travel, an increase for contracting services, and decreases due to budgetary constraints.

LABOR-MANAGEMENT RELATIONS AND COOPERATIVE PROGRAMS

1990 Appropriation 1/		1990 Estimate 2/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
71	$5,805,000	71	$5,785,000	0	-$20,000	71	$5,923,000	0	+$138,000

1/ Included in 1990 Appropriation above:

Reduction pursuant to P.L. 101-166.......$78,000.

2/ Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177........$20,000 and 0 FTE.

Introduction

Funds provide salaries and expenses for the Bureau of Labor-Management Relations and Cooperative Programs. The goals of this Bureau are to improve productivity and the climate of labor-management relations by encouraging voluntary labor-management cooperative programs; provide information to the Secretary, the Deputy Secretary and others in government on labor relations and labor disputes; insure that fair and equitable protective arrangements are afforded to employees affected by transportation and other Federal assistance programs; and administer a research program in labor-management relations.

1991 Budget Request

The FY 1991 budget request for this activity is $5,923,000 and 71 FTE/positions. This is a net increase of $138,000 above the FY 1990 level. These resources will be utilized to promote improving the climate of labor-management relations. Generally, this will embrace innovative approaches including joint Department of Labor and other Federal, state and local initiatives.

In 1991, the Bureau will continue the development of a range of programs and training packages which will have as their goal to assist labor and management to conceptually develop and to implement a new and more cooperative industrial relations system. This new set of programs and training materials will be constructed in such a way as to encourage the negotiating parties to develop a holistic approach to their relationship; one which will enable them to overcome the limitations of the present adversarial model. These programs will offer the parties alternatives which will seek to integrate the components of the labor-management relationship into a unified whole and will expand the scope of the issues they mutually consider.

The research program will continue to study the changing nature of industrial relations by examining only high priority issues such as: the interaction of information sharing; the accommodation of unions and management to growing health care cost concerns within hospitals; the ways in which labor and management are dealing with substance abuse; the impact that globalization has had on labor-management relations in the United States; and the adjustment of labor and management, through training programs, to multiple career employment problems resulting from technological change. Overall constraints on the FY 1991 budget will necessitate a reduction in the Bureau's grants program.

The Bureau intends to continue the development of publications on emerging or changing developments in industrial relations policies and practices. In addition, through detailed analytical reports, the Bureau will provide information focusing on specific collective bargaining practices, human resource utilization trends, and strike activity with significant economic or social impact. The Bureau will produce analytical reports for the Secretary and others in government identifying and describing significant trends in collective bargaining, human resource policies, technology, and workplace organization which could have national economic or public policy implications. Efforts will begin to integrate material, available to the public, from the database on cooperative labor-management programs in the public and private sector, with up-to-date bibliographic materials.

Budget constraints sustained in FY 1991 will be partially offset in our field service program by the expansion of the delivery network to an even wider base of service providers--150 locally based resource organizations comprised of non-profit public and private centers such as area labor-management committees, university and labor education centers, state labor-management programs, and the Federal Mediation and Conciliation Service (FMCS). These organizations will be trained and equipped to deliver Bureau training packages, with technical assistance provided by Bureau resources. The four training packages produced by the Bureau are: Orientation to Joint Labor-Management Initiatives (OJLMI), Partners in Change (PIC), Win-Win Bargaining (WWB), and Committee Effectiveness Training (CET). These packages provide organizations within the delivery network with the basic tools to assist companies and their unions to initiate and sustain collaborative efforts. The Bureau will continue to offer Effective Training Techniques (ETT) to individuals within organizations in the delivery network to ensure quality delivery of training packages produced by the Bureau.

The Bureau will continue workshops with states on the use of Labor-Management Committees (LMCs) in layoffs and closings. There are now 20 states with some experience in using these LMCs, as recommended by the Employee and Dislocated Worker Adjustment Act (EDWAA). Efforts will be concentrated in those states which have no demonstrated capacity to set up LMCs, and, in cooperation with the Employment Training Administration (ETA), the Bureau will provide on-site assistance in establishing LMCs.

In 1991, the Bureau will continue to carry out the Secretary's responsibilities under a variety of statutes, giving particular emphasis to its Urban Mass Transportation Act (UMTA) certification responsibilities. The Bureau will continue to: develop and implement a computer-assisted program to process the required labor certifications for the UMTA 13c program; conduct workshops on UMTA 13c for transit authorities, transit employees, and their unions; develop case studies of innovative employee involvement and collective bargaining efforts in the transit industry; and conduct workshops on labor-management cooperation, targeted for individual transit authorities, transit employees, and their unions. The Bureau will continue to process opinions under the Airline Rehire Program and claims under the Redwood Employee Protection Program. Resources devoted to the Redwood program's claim processing will be redirected to the UMTA program as these claims begin to diminish in 1991.

1990

In 1990, the Bureau is authorized $5,785,000 and a staff of 71. The broad-based goals for the research program are to continue studies which achieve a better understanding of the seminal changes in collective bargaining and labor-management cooperation, in the processes that drive these changes, and how they do or do not become institutionalized. The Bureau is extending its study of labor-management cooperation at the Chrysler Corporation in light of shifts in industry economics and the labor-management relationship. A study is being initiated on site-based management in public education, a form of employee involvement in schools. Also, in support of the substance abuse initiative, the Bureau is undertaking a case study of union and management cooperation in a drug-free workplace program.

The Bureau is publishing a resource guide containing 400 listings of active cooperative labor-management programs operating in the public and private sectors. Feature-story case studies of specific cooperative efforts, including a model plant closing and an analysis of the last GM-UAW contract, are also being published. Final reports from the Bureau's research program, including an analysis of the cooperative programs at CSX and Armco Steel, and an analysis of human resource policies and practices in American firms, are being published. Conference reports covering new educational initiatives, the challenge of new technologies, and state-of-the-art labor relations issues are being published.

The Bureau continues to provide timely analysis of significant developments in industrial relations through a weekly report, detailed briefing papers, and comprehensive reports identifying and analyzing new or significant trends which could have national economic or public policy impact.

The Bureau's delivery network of service providers, established in FY 1989, trained locally based resource organizations in the use of OJLMI and PIC. This initial effort provided the Bureau with the opportunity to begin to leverage scarce resources. In 1990 requests for these services is being handled through the delivery network, to be expanded to 100 deliverers, with technical assistance provided by the Bureau. Expansion of the delivery network is critical to the Bureau's continued ability to be responsive to the increasing number of companies and their unions seeking assistance in implementing change within their organizations.

The Bureau continues to provide training to states in the use of LMCs to expedite outplacement and retraining of workers dislocated by plant layoffs and closings. The Bureau is cosponsoring regional workshops, in cooperation with ETA and interested states, to learn about alternatives to closures or layoffs.

The UMTA activity continues to provide technical assistance and will process more than 900 requests for certification of protective arrangements to be applied to Federal grants. The Bureau continues the processing of health and welfare and pension claims and benefits filed in connection with the Redwood Employee Protection Program, and is issuing opinions under the Airline Rehire Program.

1989

The Bureau published a variety of research and case study materials, including cooperative endeavors in the airline, steel, and automobile industries; worker adjustment programs in the face of plant closings; participative and site-based management in public education; and joint training and placement efforts in the communication industry.
The Bureau produced a public service ad, for the print media, focusing on the American worker as the key to improved competitiveness and productivity of American industry and business. The ad was sent to more than 7,000

business, labor, trade, professional, and general interest publications. It most recently appeared in Fortune magazine's special edition, The 1990 Investor's Guide.

The Bureau expanded its weekly report on significant labor relations activities to provide more comprehensive information on new trends and developments in labor relations, including innovative approaches to human resource utilization and workplace organization. Detailed briefing papers were prepared on negotiations in the communications, transportation, automobile, and coal mining industries, and developments were monitored in strikes at Eastern Airlines, Pittston Coal, Boeing, and numerous Bell companies. In addition, staff from the Bureau delivered over 200 speeches on the full range of industrial relations issues.

The Bureau inaugurated a delivery network in FY 1989 which leverages the resources of local organizations and the FMCS, enhancing the Bureau's ability to deliver information, training materials, and technical assistance. The delivery network complements and strengthens local resources by training new trainers in the appropriate use of materials developed by the Bureau and supported through the technical assistance program. The Bureau continued to work closely with ETA to help disseminate information on rapid response techniques and how to establish labor-management committees in the 50 states.

The Bureau certified nearly 849 projects under the administration of the UMTA 13c provisions. Federal compensatory benefits decisions continued to be appealed to the Bureau under the Redwood National Park Employee Protection Program. The eligibility period for protections under this program ended in 1989; claimants have a one-year grace period to submit claims. The Airline Rehire Program, authorized by the Airline Deregulation Act of 1978, was extended through October 23, 1990. The Bureau continued to process requests for interpretations and opinions concerning the first right-of-hire provision.

Changes for 1991

Activity Changes:

Built-in:	
Within-grades and promotions	$114,000
Annualization of pay increase effective January, 1990	59,000
One day of additional pay	13,000
FY 1991 pay raise	44,000
Executive pay raise	8,000
Increased cost of personnel benefits	14,000
Travel and transportation	44,000
GSA space rent	23,000
Other rent and utilities	2,000
Printing	3,000
Total Built-in	+$324,000
Net Program	-$186,000
FTE	0

Labor-Management Relations and Cooperative Programs

Proposal: A reduction in grants of $168,000.

Rationale: To reflect a reduction due to budgetary constraints.

Program Effects: The Bureau will eliminate the Ph. D. grants initiative and reduce its participation with private and public institutions in the conduct of research on a wide range of industrial relations issues.

Base:
FTE: 71 Estimate: $6,109,000

Program Decrease:
FTE: 0 Estimate: -$168,000

Proposal: A reduction in equipment and other services of $18,000.

Rationale: To reflect a reduction due to budgetary constraints.

Program Effects: The Bureau will eliminate that portion of its ADP plans which provides for a desk-top publishing initiative.

Base:
FTE: 71 Estimate: $6,109,000

Program Decrease:
FTE: 0 Estimate: -$18,000

Workload Accomplishments

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Employee Protections			
UMTA Certifications	849	950	950
UMTA Claims Determinations	10	14	14
Airline Rehire Cases	25	20	20
Redwood Health & Welfare Claims	510	450	350
Redwood Pension Claims	75	85	85
Redwood Appeals	12	15	15
Cooperative Programs			
Conferences/Symposia	35	15	15
Training Packages Training	50	50	50
Trainer Skill Training	-	5	5
Technical Assistance	-	30	30
IAS Workshops	6	11	9
Publications	20	20	20
Briefing Materials	65	70	70

LABOR-MANAGEMENT STANDARDS

1990 Appropriation 1/		1990 Estimate 2/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
420	$25,196,000	420	$25,108,000	0	-$88,000	430	$26,051,000	10	+$943,000

1/ Included in 1990 Appropriation above:

Reduction pursuant to P.L. 101-166..........$297,000.

2/ Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177...........$88,000 and 0 FTE.

Introduction

The principal law administered by the Office of Labor-Management Standards is the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA) (also known as the Landrum-Griffin Act). In addition, OLMS has responsibility for enforcing Section 1209 of the Postal Reorganization Act, the standards of conduct regulations implementing Section 7120 of the Civil Service Reform Act of 1978 (CSRA), and Section 1017 of the Foreign Service Act (FSA).

The LMRDA is the major federal law that deals with the relationship between a union and its members. Congress enacted the LMRDA to establish certain rights for union members and require proper handling and safeguarding of union funds and assets, to provide for the reporting and disclosure of financial transactions and administrative practices of labor organizations and employers/labor relations consultants, to prevent abuses in the administration of trusteeships of labor organizations, and to impose standards on the frequency and conduct of union officer elections. The LMRDA applies to private sector unions and, by virtue of the Postal Reorganization Act, to unions in the U.S. Postal Service. Similar provisions are contained in the CSRA and FSA for unions in the federal sector. OLMS does not have jurisdiction over unions representing solely state, county, or municipal employees.

In carrying out its statutory responsibilities, OLMS objectives are (1) to detect and correct violations of the law through audit and investigative programs, with civil litigation and criminal prosecution of violators when appropriate, and (2) to encourage and improve voluntary compliance through education of, and assistance to, affected labor organizations and persons.

OLMS enforcement and compliance assistance/education objectives reflect the dual goals of Congress in passing the LMRDA: namely, to guarantee minimum democratic standards for union members while providing for only minimal governmental interference in the internal affairs of unions. By informing union members and officers of their rights and responsibilities under the law, OLMS encourages self-policing and minimizes the need for OLMS enforcement activities. Effective compliance assistance/education (1) results in fewer violations as officers are more fully informed of their responsibilities and the rights of union members, (2) permits union members to pursue these rights through internal union procedures or, in many instances, through private litigation, and (3) helps the government enforce the law when self-policing fails because well-informed members can bring violations to the attention of

OLMS. Therefore, OLMS efforts to help unions comply, as well as investigative/audit activities and other enforcement actions, are necessary to meet the Agency's statutory responsibilities.

Specifically, OLMS performs four types of program activities:

- Civil and criminal investigations to determine if the LMRDA has been violated, particularly in regard to union officer elections and the handling of unions funds,
- Compliance audits to ensure that unions are following LMRDA provisions,
- Public disclosure of reports required by the LMRDA, and
- Education and compliance assistance activities to help union members understand their rights under the LMRDA and to encourage unions and others to comply with the law's provisions.

Investigations

OLMS staff conduct both civil and criminal investigations to determine if violations of LMRDA provisions have occurred. Investigations of union officer elections (civil) and the handling of union funds (criminal) are the Agency's two major enforcement activities.

Title IV of the LMRDA establishes basic rules for unions to follow when electing their officers. OLMS initiates investigations of officer elections upon receipt of a timely filed complaint from a member. If warranted, OLMS may take legal action to set aside the challenged election and order a new election under OLMS supervision. In order to minimize government involvement in union affairs and resolve election controversies in a timely manner, the LMRDA sets a limit of 60 days in which OLMS must complete its investigation of an election complaint.

Because of the statutory time frame, election investigations must receive priority handling. Since these investigations are initiated only on a complaint basis, OLMS can exercise no control over the number or type of election complaints it investigates. Consequently, the amount of staff resources devoted to the election program varies each year.

Under Section 501(c) of the LMRDA, it is a federal crime for a labor union officer or employee to embezzle, steal, or convert funds of the union. OLMS conducts complaint-based and self-initiated embezzlement investigations to protect and safeguard union funds/assets. The Agency is committed to eliminating or preventing improper or corrupt practices by labor unions and their officers/employees, who are barred from holding union office or employment for up to 13 years if convicted of certain crimes including embezzlement. OLMS must refer any information it uncovers regarding possible embezzlement violations to U.S. Attorneys who decide if criminal prosecution is warranted.

In addition to election and embezzlement investigations, OLMS also investigates possible violations of other sections of the LMRDA involving bonding, illegal loans to union officers and employees, trusteeships, and other matters.

Compliance Audits

OLMS has responsibility under the LMRDA to conduct audits to determine if unions are complying with the law and uses a streamlined audit approach called the Compliance Audit Program (CAP) to verify LMRDA compliance. CAP also gives OLMS the opportunity to provide compliance assistance directly to union officials to help them correct problems detected during the audit and to prevent any future LMRDA violations.

The International Compliance Audit Program (I-CAP), modeled after the CAP, is used by OLMS to audit National/International Unions in order to (1) determine compliance with provisions of the LMRDA by each International Union and, to the extent possible, by its affiliates; (2) provide LMRDA compliance assistance; and (3) increase communication and cooperation between OLMS and these unions. Because of the size and nature of the unions involved, I-CAP audits usually take several months to complete and require considerable staff resources.

Since CAP and I-CAP audits are self-initiated, the amount of Agency resources devoted to these programs fluctuates each year depending on workload priorities, particularly union officer election investigations which are complaint based. Although no CAP frequency schedule has been developed because of the large number of local unions involved, OLMS does plan to audit each of the approximately 200 International Unions every seven years, using the I-CAP.

Reports/Public Disclosure

The 43,000 unions covered by the LMRDA are required to file reports with OLMS. To help unions comply with LMRDA reporting requirements, each year OLMS mails financial reporting forms with detailed instructions to each union. OLMS field offices also conduct reporting clinics/seminars for union officers and respond to inquiries about how to complete the reports. Despite these efforts, some unions fail to file annual financial reports within 90 days after the end of their fiscal year as required by law. OLMS must contact the delinquent unions and take appropriate steps to secure the reports. In order to ensure that the information in the financial reports is complete and accurate, OLMS reviews these reports, identifies reporting errors, and seeks amended reports as necessary.

Other entities and individuals--employers, labor relations consultants, union officers and employees, and surety companies--are also required to file reports under certain circumstances. OLMS pursues delinquent and deficient reports from these individuals and entities and, if necessary, conducts investigations to determine if reports or amended reports are due.

Education/Compliance Assistance

Compliance assistance plays a central role in the OLMS enforcement strategy. The ultimate objectives of compliance assistance are to (1) reduce the need for investigations and remedial actions, and (2) encourage union members to exercise their rights under the law. Additionally, well-planned compliance assistance and liaison activity result in increased awareness of possible statutory violations. OLMS compliance assistance activities include participation at union conventions, seminars/workshops, mailings, speeches, video tapes and personal visits, distribution of explanatory publications, and liaison with international union officials. In addition, compliance assistance is also provided directly to union officials during OLMS enforcement activities and, in particular, as an integral part of the Agency's audit programs (CAP and I-CAP).

In summary, the OLMS enforcement strategy represents a balanced approach using audits and civil/criminal investigations in conjunction with a compliance assistance program to ensure compliance with the various provisions of the laws entrusted to OLMS.

1991

The FY 1991 budget request for this activity totals $26,051,000 and 430 positions which includes an increase of ten new compliance officer positions for the deficient and delinquent reporting areas. In addition, OLMS must absorb all costs associated with within-grade increases and annualization of the 1990 pay raise.

The addition of ten positions in FY 1991 will substantially increase OLMS enforcement activity in the delinquent and deficient reporting areas, particularly in regard to LM-2/3 financial reports filed annually by the 43,000 labor organizations covered by the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). A comprehensive new deficient LM-2/3 reports program will be implemented field-wide in FY 1991 to address the large percentage of deficient financial reports received from unions each year. To implement this new program and to further emphasize the delinquent reports program, OLMS is requesting one compliance officer position (GS-5/7/9) for each of its ten area offices.

The primary duties of each compliance officer will be to conduct the delinquent and deficient reports programs for the area office jurisdiction. This will include identifying delinquent and deficient filers from computer printouts and verifying their status; conducting desk audits to determine acceptability of filings and identify discrepancies, contradictory trends and red flag entries in support of investigative or targeting activities; determining adequacy of bonding coverage; contacting principal union officers to obtain compliance; completing case records; and, referring cases where compliance is not achieved to the supervisor for investigative handling or to the Regional Solicitor of Labor for civil legal action. In addition, the compliance officer will assist in routine investigative assignments such as ballot counting, third-party verifications, "scheduling" financial records, and conducting threshold interviews of persons requesting public disclosure to determine if their reasons for requesting disclosure might be of investigative interest to OLMS. The compliance officer will also handle telephone and written inquiries and some aspects of the OLMS compliance assistance program. These functions are currently being performed by higher graded investigators.

In addition to substantially increasing enforcement activity in the reporting area, these ten positions will enable OLMS to restructure how its investigators work by minimizing the lower-graded functions they currently perform and enabling them to concentrate more of their time in other enforcement areas such as embezzlement investigations and audit activities.

OLMS will continue to conduct both civil and criminal investigations to determine if violations of LMRDA provisions have occurred. Investigations of union officer elections (civil) and the handling of union funds (criminal) will remain the agency's two major enforcement activities. Due to the statutory 60-day time frame, election investigations must receive priority handling. However, fewer election investigations are planned for FY 1991 than in prior years since OLMS anticipates a smaller number of election complaints will be filed. This decrease is attributable, in part, to OLMS compliance assistance efforts in helping union officials better understand election requirements and their responsibilities.

In FY 1991, as in prior years, OLMS plans to allocate its highest amount of resources to protect and safeguard union funds/assets. More resources will be required to complete each embezzlement investigation since OLMS is conducting more complex investigations, sometimes in conjunction with other law enforcement agencies. These investigations involve other statutes, computerized recordkeeping systems, and considerable prosecutive support, particularly trial preparation and participation. As a result, OLMS expects results in this area to exceed the record number of criminal indictments and prosecutions obtained in recent years.

In the audit area, OLMS will continue to expend a substantial part of its resources to conduct agency-initiated audits to determine if unions are complying with the law. Using the Compliance Audit Program (CAP), OLMS can provide compliance assistance directly to union officials to help them correct problems detected during the audit and help prevent any future LMRDA violations. The International Compliance Audit Program (I-CAP) will also be used by OLMS to audit National/International Unions.

OLMS will continue to conduct complaint-based and agency-initiated investigations to determine if employers and consultants have engaged in activities which require reports to be filed under the LMRDA. Recently, OLMS increased its emphasis in this reporting area by conducting more investigations, more closely examining employer and consultant reports to identify deficient and delinquent reports, providing training to OLMS staff, improving investigative case handling procedures, and reviewing certain related policy matters.

OLMS will continue efforts to reduce the number of delinquent LM-2/3 annual financial reports through (1) the extensive use of computer capabilities to generate delinquency notices and lists, (2) cooperative activities with International Union officials who assist OLMS in obtaining delinquent reports from affiliate unions, (3) timely referral of delinquent organizations to our field offices for follow-up, and (4) streamlined case-handling procedures at the field office level. The delinquent reports program also enables OLMS to effectively target certain delinquent unions for audit or criminal investigations.

In FY 1991, OLMS also plans to revise the LM-2/3 financial reports filed by approximately 43,000 unions each year. The forms and instructions have not been substantively revised since 1975 and need to be amended to reflect changed interpretations, to correct certain problem areas, and to improve the forms so they are easier to complete and the reporting burden on unions is eased to the extent possible.

To supplement our traditional compliance assistance activities, OLMS plans to increase its emphasis on liaison with international union officials in FY 1991. These new initiatives will be designed to address specific LMRDA requirements and will be modeled on certain I-CAP procedures as well as the successful delinquent reports program in which international union officials assist OLMS in obtaining delinquent LM-2/3 financial reports from their affiliated unions. A nationwide program is also planned to facilitate field office contacts with international union auditors and representatives to provide enforcement and compliance assistance information.

1990

In FY 1990, OLMS is authorized $25,108,000 and a staff of 420. Due to a reduced appropriation and budgetary constraints imposed for FY 1990, OLMS must sustain a reduction in the Special Election Contingency Fund.

Since a large percentage of annual financial reports received from unions are deficient to some extent, OLMS plans to complete work on a comprehensive new deficient reports program with standardized case-handling procedures that will be integrated into other existing enforcement programs. Refinements to audit/investigative activities are considered on an on-going basis and will be implemented, as necessary. OLMS will continue to refine targeting techniques to ensure and strengthen its enforcement posture and capability. The surety company contact program will be improved to ensure proper, timely reporting of financial losses incurred by labor organizations. OLMS plans to begin work on revising the current annual financial reporting forms LM-2/3 to simplify reporting requirements, while at the same time gathering information that is more useful to OLMS and union members. In conjunction with the forms revision initiative, OLMS will increase the utilization of computers in the processing of the LM reports.

In FY 1990, OLMS plans to continue to audit a significant number International/National Unions. Many of the International Unions have never been audited since passage of the LMRDA in 1959. Continued implementation of this plan should result in audits of all National and International Unions on a seven year cycle.

OLMS is also continuing to maintain a strong liaison/compliance assistance program as an integral part of its enforcement program. This is being accomplished through union member education programs, liaison with international and national union officials, and coordinating and sharing information with other law enforcement agencies.

As part of its efforts to improve working relationships with other law enforcement agencies, OLMS is developing procedures for Federal law enforcement agencies to obtain specifically requested union financial records filed with OLMS on an expedited, "automatic" basis and is exploring opportunities for joint activities and investigations.

Finally, OLMS is continuing its comprehensive in-house training program for new investigators and plans to address the training needs of journeymen investigators, as well. In addition, OLMS is further refining and accelerating its current efforts in providing computer fraud training and identifying computer technology applications.

1989

During FY 1989, OLMS emphasized a well-balanced program of enforcement of the civil and criminal provisions of the LMRDA and CSRA. In the criminal enforcement area, 168 indictments and other criminal actions were returned and 149 convictions and Pre-Trial Diversion Agreements were obtained. Both figures represent the third highest number of indictments and convictions in any fiscal year since the passage of the LMRDA. Nearly two million dollars in embezzled union funds were recovered during FY 1989 and $264,509 in fines were imposed by the courts. In addition, OLMS conducted 372 embezzlement investigations. At the end of the fiscal year, 193 OLMS criminal cases were pending at the Department of Justice and 332 criminal investigations were pending in OLMS field offices.

In the civil enforcement area, OLMS received 157 election complaints and 20 trusteeship complaints. Civil action was taken in 33 cases while 18 additional cases were settled by voluntary compliance. OLMS also supervised 50 union officer elections.

OLMS conducted 23 audits of international or national unions under its International Compliance Audit Program (I-CAP). This represents the second largest number of I-CAP cases completed in any year during the program's eight year history. The organizations which were audited had combined yearly incomes of $910 million and represent more than 1,339,000 members in approximately 5,700 affiliated bodies. In addition, 880 CAP audits were conducted of local unions. Most of the recordkeeping, reporting, and other civil violations discovered as a result of OLMS audits were remedied through voluntary compliance by the union involved. Increased emphasis was placed on obtaining delinquent and deficient financial reports from all International/National unions.

OLMS received and processed over 48,000 reports filed by labor organization union officers and employees, employers, labor relations consultants, and surety companies as required by the LMRDA and CSRA. OLMS also opened 155 employer, consultant, and union officer and employee reporting investigations and closed 168 such cases during FY 1988.

OLMS field offices conducted various types of compliance assistance activities in order to promote voluntary compliance with the LMRDA and to complement the OLMS civil and criminal enforcement programs. Contacts with top level international and national union officials were maintained to provide assistance, improve compliance, and promote increased awareness of statutory obligations. OLMS also translated three explanatory publications into Spanish to promote greater understanding by the increasing number of Spanish-speaking union members of their rights under the LMRDA and explain the enforcement responsibilities of OLMS.

Changes for 1991

Activity Changes:

Built-in:	
One day of additional pay	$ 63,000
FY 1991 pay raise	170,000
Executive pay raise	23,000
Federal Employees Compensation Fund	120,000
GSA space rent	101,000
Printing	4,000
Other services	53,000
Supplies and equipment	22,000
Total Built-in	+$556,000
Net Program	+$387,000
FTE	+10

Labor-Management Standards

Proposal: To provide funding for additional staff for the Delinquent and Deficient Reports Programs.

Rationale: To substantially increase enforcement activity in the reporting area.

Program Effects: Investigators will be able to concentrate more of their time in other enforcement areas such as embezzlement investigations and audit activities.

Base:	
FTE: 420	Estimate: $25,664,000
Program Increase:	
FTE: 10	Estimate: +$446,000

Proposal: A reduction in non-personnel costs of $59,000.

Rationale: To reflect a reduction in travel and other rent due to budgetary constraints.

Program Effects: OLMS will cut program travel and delay the implementation of its telecommunications system.

Base:	
FTE: 420	Estimate: $25,664,000
Program Decrease:	
FTE: 0	Estimate: -$59,000

Workload Accomplishments

	1989 Actual	1990 Estimate	1991 Estimate
Audits			
Financial report audits*	1,009	2,100	2,100
International compliance audits*	23	20	20
Compliance audits*	880	1,050	1,100
Investigations			
Election investigations	158	180	160
Embezzelment investigations*	372	475	480
Union officer/employee and employer/ consultant investigations	168	240	240
Trusteeship investigatiions	17	20	20
Delinquent report investigations	3,272	3,500	3,500
Basic and special investigations	322	300	300
Deficient financial report investigations	224	400	700

	1989 Actual	1990 Estimate	1991 Estimate
Miscellaneous			
Supervised elections*	50	60	60
Reports processed	48,345	55,000	55,000
Reports disclosed**	45,128	12,000	12,000
International and national union liaison activities	163	200	300
Compliance assistance contacts/ activities	907	575	575
Inquiries*	71,429	65,000	65,000
Freedom of information act requests	159	160	160
Legislative reviews	67	60	60
Interpretations and policy rulings	82	100	100
Field Inspections	1	2	2

*Workload estimates reflect revised unit times for FY 1990 and 1991.

**Workload estimates for fiscal years 1990 and 1991 reflect a plan to contract out the file and disclosure functions in the National Office.

Pension and Welfare Benefit Program

1990 Appropriation 1/		1990 Estimate 2/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
505	$43,206,000	505	$43,056,000	0	-$150,000	605	$58,077,000	100	+$15,021,000

1/ Included in 1990 Appropriation above:

Reduction pursuant to P.L. 101-166.............$625,000.

2/ Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177..............$150,000 and 0 FTE.

Introduction

The Pension and Welfare Benefits Administration (PWBA) administers the Department of Labor's responsibilities under the Employee Retirement Income Security Act of 1974 (ERISA). These responsibilities include regulation of approximately 915,000 private-sector pension plans and 4.56 million private-sector welfare benefit plans, covering over 200 million participants, and controlling over $1.7 trillion in assets. These assets are expected to increase to over $2 trillion by the year 2000. Program responsibilities include: enforcement of the ERISA fiduciary and reporting/disclosure requirements, provision of regulatory and interpretative guidance to the public and other government entities, administration of a reports maintenance and public disclosure program, and ongoing research and policy formulation relating to employee benefit plans (pension, health care, etc.).

In addition, the Federal Employee's Retirement System Act of 1986 (FERSA), P.L. 99-355, established a new independent agency in the Executive Branch, the Federal Retirement Thrift Board, with special responsibilities for the investment and management of the Thrift Savings Fund (TSF). To protect the integrity of the Thrift Savings Fund, FERS established strict fiduciary, prohibited transaction, and bonding requirements. PWBA is responsible for maintaining a program of audits to determine the level of compliance with the standards and the promulgation and interpretation of necessary regulations. The TSF has experienced phenomenal growth since its inception. Currently, there are 1.3 million participants and $3.4 billion in assets.

1991 Budget Request

PWBA's FY 1991 budget request of $58,077,000 and 605 FTE includes a program increase of $7,642,000 and 100 FTE for strengthening ERISA enforcement activities. This increase is critical for the Department's enforcement capabilities in the area of pension and welfare benefit plans. The increase will enable PWBA to pursue approximately 1,000 additional enforcement cases, resulting in an estimated additional $46 million in assets being restored to pension or welfare benefit plans covering 4.6 million participants.

Employee benefit plans provide retirement security, health, and other critical benefits to the majority of Americans in the private-sector workforce. The PWBA is authorized 505 staff in 1990. Over the past decade, due to the substantial increase in plans and assets, the ratio of enforcement staff to plans and assets has declined by approximately 50 percent. The Administration has concluded that the current level of resources devoted to

ERISA enforcement is inadequate. The IG, GAO, and Congressional committees have concurred with this view, noting that this area is potentially vulnerable and exposes the Federal government to enormous potential liabilities due to the Federal guarantee of benefits in certain plans through the Pension Benefit Guaranty Corporation.

During the past several years, PWBA has undertaken numerous major initiatives designed to strengthen the organization's capabilities, consistent with the scope and complexity of the responsibilities with which it is charged. These included a reorganization to focus resources on emerging policy and programmatic areas, the expansion of its ongoing comprehensive program of enforcement-related professional training, the implementation and continuing refinement of its enforcement strategy, and most importantly, the development of a sophisticated automated database system and other technology which tremendously enhances PWBA's enforcement programs' ability to deter abuse and target investigations.

In spite of these initiatives, PWBA has reached a point at which it is no longer possible to continue to maintain an effective enforcement program without a significant staff increase. Investigators in the field remain the only means to expand coverage of what has become one of the largest sources of investment capital in the American economy. The increase requested in this budget will signal to the plan community and numerous overseers a serious attempt to address the mismatch between the scope and importance of benefit plan security and Federal oversight. This budget request represents a responsible and appropriate expansion of enforcement presence that can reasonably be expected to be undertaken in FY 1991.

PWBA's FY 1991 budget request also includes a $175,000 increase for the payment of expert witnesses ($100,000) and program travel ($75,000). The requested increase in expert witness fees is necessary to finance the Department's increasing use of civil litigation to protect assets contained in employee benefit plans from loss, theft, or similar abuse. The use of expert witnesses is a virtual necessity in the highly technical, industry-specific nature of ERISA litigation. The increase in travel funds is required simply to cover costs associated with the FY 1991 level of enforcement activity. Lastly, $775,000 is required to fully fund critical contract activities which were reduced in FY 1990 due to budgetary constraints.

In the research area, during FY 1991, PWBA will continue to develop a modeling capability for pension policy that permits informed analysis of proposals. This analysis is required to provide the Administration and Congress a comprehensive base of information needed for the development of pension and benefit-related policies and legislation. In addition, PWBA will initiate work to expand its pension data bases and integrate data from a broad range of private or other Federal sources.

Several major health benefits research studies underway during FY 1990 will continue into FY 1991, including a study on private/public approaches to removing the barriers to the provision of health benefits through the workplace for workers who have traditionally been excluded from coverage. Due to rising health costs, and the threat to the continued provision of employer-sponsored health benefits, PWBA will also direct efforts toward analyzing innovative cost-containment measures on the part of plan sponsors.

In carrying out regulatory, exemption, and technical assistance responsibilities under ERISA and FERSA, PWBA will continue to provide guidance and regulatory relief to interested parties in a timely manner. A number of initiatives begun in FY 1990, including fiduciary responsibility, coverage, reporting and disclosure, bonding, and individual benefit reporting and recordkeeping regulations, will continue into FY 1991.

In the area of policy and legislative analysis, the focus will be on identifying emerging policy issues that may affect pension or welfare benefit plans, such as pension portability and corporate merger issues.

1990

During 1990, PWBA is continuing to carry out comprehensive enforcement and regulatory activities; providing research and policy leadership in important and emerging pension, health and other employee benefit policy issues; continuing to be responsive to the public's request for technical assistance; expanding its comprehensive training program focusing on enforcement issues and implementation of the database; and enhancing the efficiency and effectiveness of the overall pension system.

PWBA's enforcement program is continuing to carry out the Enforcement Strategy Implementation Plan (ESIP) and will realize appreciable benefits from the ERISA Information System, which will become fully operational this fiscal year. During FY 1990, PWBA will initiate a process for testing the effectiveness of its computer targeting program. While the process will place demands upon current resources, it will greatly improve PWBA's long-term enforcement targeting capability and effectiveness in identifying potential violations. PWBA is continuing to aggressively pursue its ongoing program of investigations to detect and deter ERISA violations. Further, PWBA will maintain its effort to ensure compliance with the reporting enforcement provisions of ERISA Section 104 and conduct the fiduciary compliance audits required under ERISA. During 1990, PWBA will be moving toward implementation of the newly-enacted ERISA provision 502(l) contained in P.L. 101-239. This provision imposes a penalty of 20 percent of the assets involved in transactions prohibited by the statute, against the plan fiduciaries who caused the plan to enter into the transaction.

In the regulatory area, PWBA will continue to provide reasonable flexibility to employee benefit plans through its exemption, regulation, and advisory-opinion program in order to maximize investment opportunities and related return on those investments, while providing essential safeguards to protect benefit security.

In the area of research, a number of pension studies are expected to be completed during FY 1990. Among the more significant studies scheduled are the role of pensions in corporate mergers and acquisitions, pension portability and job change, and pension investment practices. Also, research reports on labor market barriers to employee health and sponsor controls on health benefit costs are scheduled to be completed.

1989

During 1989, PWBA made significant progress toward improving the effectiveness and credibility of the enforcement program. Accordingly, enforcement activities continued to be directed toward carrying out the ERISA Enforcement Strategy Implementation Plan (ESIP) and preparing for implementation of the ERISA Information System. The ESIP delineates areas of emphasis, referred to as Significant Issues, which focus enforcement strategy on abuses by financial institutions to pension plans and on abuses by service providers to multi-employer welfare plans. Through this approach, PWBA maximizes its impact of the plan universe. PWBA continued to strengthen its investigative tools through the development of audit/investigative guides, an aggressive recruitment of highly skilled personnel and with a series of structured professional enforcement training programs. Also, the first phase of the ERISA Information System, the development of the Data Entry and Edit component, was completed and became operational in July, 1989. The Storage and Access components of the system will be completed in FY 1990.

In addition, PWBA initiated its program to obtain compliance with the reporting enforcement provisions of Section 104 of ERISA and began conducting the fiduciary compliance audits required under FERSA.

In FY 1989, PWBA built on past work to broaden its program of policy research. Some of the significant projects completed in 1989 include a study of the effects of the full-funding limitation, an analysis of the effects of alternative proposals concerning reversions, and an analysis of recently adopted government policies in Canada and the United Kingdom for enhancing pension portability.

PWBA was involved in a number of legislative measures and issues during the year. These legislative items included such issues as pension plan participation in leveraged buyouts, pension assets reversions, portability, FERSA amendments, parental leave, and expanded health care coverage. Many of these issues, not resolved, will continue to be addressed in FY 1990.

Finally, some of the more prominent regulatory initiatives by PWBA during 1989 included the promulgation of final regulations pertaining to: the assessment of civil penalties under ERISA Section 502(c)(2); participant loans under Section 408(b)(1); amendments to the annual reporting requirements, including the adoption of revised annual report forms (Form 5500 Series); and rules governing the assessment of civil penalties under FERSA Section 8477(e)(1)(B) for certain prohibited transactions.

Changes for 1991

Activity Changes:

Built-in:	
Within-grades and promotions	$256,000
Annualization of pay increase effective January, 1990	167,000
One day of additional pay	74,000
FY 1991 pay raise	250,000
Executive pay raise	62,000
Federal Employees Compensation Fund	10,000
Increased costs of personnel benefits	129,000
Travel and transportation	49,000
GSA space rent	110,000
Other rent and utilities	18,000
Printing and reproduction	11,000
Other services	1,098,000
Supplies and equipment	35,000
Annualization of ERISA Data Base	4,160,000
Total Built-in	+$6,429,000
Net Program	+$8,592,000
FTE	+100

Pension and Welfare Benefit Program

Proposal: To provide for increased use of expert witnesses.

Rationale: To reflect the increased use of expert witnesses in civil litigation to protect assets contained in employee benefit plans.

Program Effects: The Department will be able to effectively litigate highly-technical ERISA-related cases.

Base:
FTE: 505 Estimate: $49,485,000

Program Increase:
FTE: 0 Estimate: +$100,000

Proposal: To provide for increased enforcement and training-related travel.

Rationale: To cover travel costs associated with the increased number of ERISA investigations and related enforcement activities required of existing staff.

Program Effects: PWBA will be able to maintain its present level of travel activity associated with the increased enforcement and training activities.

Base:
FTE: 505 Estimate: $49,485,000

Program Increase:
FTE: 0 Estimate: +$75,000

Proposal: To provide more staff for ERISA enforcement activities.

Rationale: To strenghten and maintain an effective enforcement program.

Program Effects: PWBA will be able to pursue a large number of additional enforcement cases resulting in restoration of additional assets to pension or welfare benefit plans.

Base:
FTE: 505 Estimate: $49,485,000

Program Increase:
FTE: 100 Estimate: +$7,642,000

Proposal: To provide for more contracts for FERSA, IRS, and research.

Rationale: To fund critical contracts involving FERSA audits, IRS Form 5500 processing, and research activities which were reduced in FY 1990 due to budgetary constraints.

Program Effects: PWBA will be able to carry out FERSA, IRS, and research activities that are critical to its program operations.

LMS-32

Base:
FTE: 505 Estimate: $49,485,000

Program Increase:
FTE: 100 Estimate: +$775,000

Workload Accomplishments

	1989 Actual	1990 Estimate	1991 Estimate
Total Investigations and Plan Reviews			
Pending at beginning	1,524	1,569	1,569
Inventory	1,626	1,729	2,468
Processed	1,581	1,729	2,468
Carry-over	1,569	1,569	1,569
Fiduciary Investigations and Plan Reviews Processed	(1,553)	(1,689)	(2,411)
Criminal Investigations Processed	(28)	(40)	(57)
Assets Restored	$111.3M	$106.0M	$151.7M
Reporting Compliance Reviews	191	928	1,710
Regulations Issued	12	16	13
Exemption Applications Processed	435	462	467
Advisory Opinions and Information Letters Issued	711	789	796
Determinations	1,061	1,250	1,250
Inquiries Received	125,227	118,627	122,343
Inquiries Answered			
Field	46,146	50,000	50,000
National Office	66,174	62,658	63,680
ERISA Reports Received	1,271,481	1,230,000	1,480,000
ERISA Reports Processed	1,359,446	1,200,000	1,200,000
Reports on File for Disclosure	8.1M	8.2M	9.2M
Reports Disclosed to the Public	22,964	27,040	27,040

NEW POSITIONS REQUESTED

	1991		
	Grade	Number	Annual Salary
Activity 2: Labor-Management Standards			
Field Office			
Compliance Officer	GS-09	10	$240,050
Subtotal		10	240,050
Activity 3: Pension and Welfare Benefit Program			
National Office			
Supervisory Investigator/Auditor	GM-14	1	50,342
Supervisory Investigator/Auditor	GM-13	2	85,202
Investigator/Auditor	GS-13	8	340,808
Investigator/Auditor	GS-12	2	71,650
Clerical	GS-06	1	18,174
Subtotal		14	566,176
Field Office			
Supervisory Investigator/Auditor	GM-14	2	100,684
Supervisory Investigator/Auditor	GM-13	1	42,601
Investigator/Auditor	GS-13	21	894,621
Investigator/Auditor	GS-12	55	1,970,375
Clerical	GS-05	7	114,135
Subtotal		86	3,122,416
Total, New Positions[a]		110	$3,928,642

ADVISORY AND ASSISTANCE SERVICES

	FY 1990	FY 1991
Types of Services		
Advisory and Assistance Services......	$50,000	$50,000
Personnel Appointments:		
a. Consultants and Experts......	24,000	24,000
b. Advisory Commission Members..	57,000	57,000
Total........................	$131,000	$131,000

Justification of FY 1991 Request

Labor-Management Relations and Cooperative Programs ($74,000)

An important source of information on cutting edge industrial relations issues is obtained from a variety of experts and consultants who deliver a variety of seminars and provide on-going advisory services. The major programs that benefit from these services are (1) program development and new initiatives; (2) policy and planning staff; and (3) statutory programs.

Pension and Welfare Benefits Administration ($57,000)

The amount is required for necessary expenses for Advisory Commission members who, pursuant to Sec. 512 of ERISA, advise the Department on issues that affect employee benefit programs.

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STANDARD FORM 300
July 1968 Bureau of the Budget
Circular No. A-11 Revised
300-103

DETAIL OF PERMANENT POSITIONS

	1989 Actual	1990 Estimate	1991 Estimate
Executive level V	3	3	3
Subtotal	3	3	3
ES-6	0	0	0
ES-5	0	0	0
ES-4	7	7	7
ES-3	1	1	1
ES-2	2	3	3
ES-1	1	0	0
Subtotal	11	11	11
GS-18	0	0	0
GS-17	0	0	0
GS-16	0	0	0
GS/GM-15	58	58	58
GS/GM-14	82	82	85
GS/GM-13	158	158	190
GS-12	346	346	403
GS-11	69	72	72
GS-10	1	1	1
GS-09	30	30	40
GS-08	4	4	4
GS-07	50	50	50
GS-06	64	64	65
GS-05	73	73	80
GS-04	29	29	29
GS-03	10	10	10
GS-02	0	0	0
GS-01	0	0	0
Subtotal	974	977	1,087
Total Permanent Positions	988	991	1,101
Unfilled Position, end-of-year	-29	0	0
Total permanent employment end-of-year	959	991	1,101

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THURSDAY, MARCH 1, 1990.

PENSION BENEFIT GUARANTY CORPORATION

WITNESSES

JAMES B. LOCKHART, III, EXECUTIVE DIRECTOR
DOUGLAS R. CANNON, DEPUTY EXECUTIVE DIRECTOR
HENRY R. THOMPSON, DIRECTOR, CORPORATE BUDGET DEPARTMENT
DIANE F. BURKLEY, DEPUTY EXECUTIVE DIRECTOR, AND CHIEF NEGOTIATOR
JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET, DEPARTMENT OF LABOR

INTRODUCTION OF WITNESSES

Mr. NATCHER. We take up next the Pension Benefit Guaranty Corporation. We have before the committee Mr. James B. Lockhart, the Executive Director, and before we have your statement, Mr. Lockhart, tell us who you have with you there at the table.

Mr. LOCKHART. Yes. I have to my left, your right, Diane Burkley, who is our Deputy Executive Director, responsible for insurance operations and negotiations. Henry Thompson, who is our Director of Budgeting, and Doug Cannon, who is the other Deputy Executive Director, and he is responsible for management and the finances of the organization, and Jim McMullen from the Department of Labor.

Mr. NATCHER. Thank you very much.

Now Mr. Lockhart, we will be pleased to hear from you.

OPENING STATEMENT

Mr. LOCKHART. Good morning, Mr. Chairman and members of the subcommittee.

I am pleased to appear before you today to present the fiscal year 1991 budget for the Pension Benefit Guaranty Corporation, PBGC.

Today, Mr. Chairman, marks the first occasion for me, as a member of a new management team at the PBGC, to address this committee. I want to assure you, and the Members of this committee, that a smooth transition has occurred, with the determination to build upon the reforms and the successes of the previous team.

The PBGC was established under Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) to insure private, defined benefit pension participants against the loss of benefits if their plan is terminated without adequate funding.

The PBGC provides vital insurance protection to nearly 40,000,000 active and retired American workers in about 100,000 private sector defined benefit pension plans. This universe of plans has liabilities of about $820 billion, but assets well over $1 trillion. However, PBGC has a $20 to $30 billion exposure to underfunded pension plans. About half of this exposure is in only 50 companies with single-employer plans, mainly in the steel, auto and airline industries. Almost half of the underfunding in those 50 companies poses a very high risk.

Covered plans are required by law to pay a premium that is the PBGC's major source of revenue. Although we receive no general fund revenues from the U.S. Treasury, the PBGC's revolving fund is part of the Federal budget.

Our overriding financial goal is to reduce PBGC's deficit within the present premium structure. The key to achieving this goal will be our ability to resist abuses of the insurance programs and to avoid significant new losses. The outcome of the LTV case will be critical in this effort.

PREVENTING ABUSE

Since taking office, we have worked on several fronts to protect the pensions of American workers and the insurance programs from losses due to pension underfunding and abuse. PBGC's strategy for preventing losses combines three approaches:

Encouraging sponsors to better fund their plans;

Making it more difficult for companies to terminate underfunded plans; and

Increasing recoveries when a plan is terminated.

PBGC is bringing powerful new enforcement tools to negotiations with companies to encourage them to fund ongoing pension plans. Under the Pension Protection Act of 1987, the employer and each and every member of the employer's controlled group is jointly and severally liable for the funding of an ongoing single-employer plan. Additionally, PBGC has the authority to obtain a lien against the assets of the employer and the controlled group if more than $1 million in unpaid contributions is owed. We have used these tools successfully in such cases as Sharon Steel to prevent termination and increase funding.

When necessary, PBGC is pressing legal actions to protect the insurance system. In particular, PBGC took the case with the LTV Corporation over restoration of three terminated pension plans to the Supreme Court, which agreed to hear the case. At issue is the PBGC's authority to restore a pension plan if the sponsor recovers financially or if the company established follow-on pension arrangements that effectively replicate a terminated plan, but with PBGC bearing much of the cost. If LTV is allowed to have such arrangements, other companies will have a powerful incentive to terminate their underfunded plans, with grave consequences for the pension insurance program. The case was argued on February 27 and we would expect a decision by the end of the session.

INTERNAL CONTROLS

In the area of Internal Controls, PBGC is acting to assure the public, and particularly employers, whose premiums support the insurance programs, of the integrity of PBGC employees and operations.

In 1989, in response to a change in law, PBGC established an Inspector General with expanded powers to audit and investigate PBGC operations. The Inspector General reports directly to my office and to the Congress. He is responsible for detecting and preventing fraud, misuses of agency resources, and other unethical or criminal conduct. His first report to Congress reported no significant issues.

PBGC maintains systems and procedures to safeguard its resources, assure adherence to applicable laws and regulations, and promote operational economy and efficiency. In 1990, PBGC will start a thorough assessment of internal controls. We have also asked GAO to audit our 1990 financials. I am pleased to say that they responded favorably and have begun preliminary work

THE FUTURE OF DEFINED BENEFIT PLANS

One issue the PBGC is assessing now is that defined benefit plans are not growing and, at best, may be plateauing. The number of insured plans has been dropping in recent years.

Therefore, as part of its mission to encourage the continuation and maintenance of voluntary private pension plans for the benefit of their participants, PBGC has initiated several studies to isolate the problems and begin the search for solutions. These studies, to be completed in 1990, include an analysis of the shift from defined benefit to defined contribution plans; an examination of administrative costs for defined benefit plans; and their effect on the shift; and the reasons for plan formation and termination.

PBGC FINANCIAL PICTURE AND BUDGET

I would like to provide some brief highlights of the PBGC's current financial picture and FY 1991 budget request.

First, I want to note that our FY 1991 budget assumes that by the end of FY 1990, we will prevail in the Supreme Court litigation with LTV and therefore, will not be responsible for the LTV participants in FY 1991 and beyond. With no reserves for LTV, at fiscal year end of September 30, 1989, the PBGC had assets of $3.2 billion and liabilities of $4.2 billion resulting in a deficit of about $1 billion. This represents more than a 30 percent decrease in the deficit amount from the prior year. The reduction was due primarily to very strong investment returns, but also to increased premiums as we saw the final effects of the 1987 premium increase and moderate loss levels. In specific terms, as of the fiscal year ended September 30, 1989, the PBGC annual report will show total revenues of $1.027 billion. This amount consists of $624 million in premium revenues which represents an increase of $142 million over FY 1988 and investment income of $403 million representing a 19.6 percent return on invested assets versus $12 million in FY 1988.

Although a significant deficit remains, the premium increase granted by the Pension Protection Act of 1987 results in a sizable positive cash flow and will ensure that the PBGC will continue to meet its current financial commitments.

Excluding the LTV plans in litigation, the PBGC's obligation to pay life annuities now covers some 231,000 participants in approximately 1,500 underfunded terminated plans.

BUDGET AUTHORITY

The PBGC is requesting total obligating authority of $594,737,000 for FY 1991 and 546 FTE. This represents a net decrease of $234,188,000 compared to the FY 1990 budget and no increase in staff. The major components of our request are: 1) $521,809,000 for Benefit Payments, 2) $1,800,000 for Financial Assistance in the Multiemployer Program, 3) $28,459,000 for Other Contractual Services and, 4) $42,669,000 for Administrative Expenses.

The amount for Benefit Payments represents a net decrease of $234,962,000, reflecting our assumption that we will not be responsible for paying LTV benefits by the beginning of fiscal year 1991.

The $1,800,000 for financial assistance represents no increase over the fiscal year 1990 amount.

Our Other Contractual Services request of $28,459,000 represents an increase of $406,000 over FY 1990 to cover additional investment management fees as our portfolios grow.

Administrative expenses of $42,669,000 represent a net increase of $368,000 over FY 1990 due to $1,100,000 to cover inflationary increases and $650,000 to replace our mainframe operating system software, offset by permanent savings of about $1,400,000 resulting from operating efficiencies identified in FY 1989.

While the net increase in administrative expenses is only $368,000 and with no increase in FTE, I have begun to reallocate current levels of resources in order to aggressively pursue the goals I have set for FY 1990 and FY 1991. For example, through reallocation, I have increased the FTE levels in our legal, financial analysis and actuarial areas. These reallocations are consistent with my goal of "reducing" the PBGC's deficit through effective legal, investment and financial management. I have also reallocated funds to cover the costs of the GAO audit.

Finally, I have charged my senior management to find more innovative ways to improve efficiency and productivity. We plan to streamline our procedures by eliminating redundancies and unnecessary work.

As we continue to protect the pensions of workers and retirees, we look ahead to the future with greater confidence. This confidence is based on the soundness of defined benefit pension plans, the recent legislative changes that reinforced the program, and the quality and dedication of the PBGC staff.

Thank you, Mr. Chairman, for the opportunity to testify today. I will be happy to answer any questions that you may have.

[The prepared statement of James B. Lockhart III follows:]

Statement by James B. Lockhart III
Executive Director
House Appropriations Subcommittee
Fiscal Year 1991 Budget Request
Pension Benefit Guaranty Corporation

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you today to present the Fiscal Year 1991 budget for the Pension Benefit Guaranty Corporation (PBGC).

Today, Mr. Chairman, marks the first occasion for me, as a member of a new management team at the PBGC, to address this committee. I want to assure you, and the members of this committee, that a smooth transition has occurred, with the determination to build upon the reforms and the successes of the previous team.

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The PBGC provides vital insurance protection to nearly 40 million active and retired American workers in about 100,000 private sector defined benefit pension plans. This universe of plans has liabilities of about $820 billion, but assets well over $1 trillion. However, PBGC has a $20-$30 billion exposure to underfunded pension plans. About half of this exposure is in only 50 companies with single-employer plans, mainly in the steel, auto and airline industries. Almost half of the underfunding in those 50 companies poses a very high risk.

Covered plans are required by law to pay a premium that is the PBGC's major source of revenue. Although we receive no general fund revenues from the U. S. Treasury, the PBGC's revolving fund is part of the Federal budget.

Our overriding financial goal is to reduce PBGC's deficit within the present premium structure. The key to achieving this goal will be our ability to resist abuses of the insurance programs and to avoid significant new losses. The outcome of the LTV case will be critical in this effort.

PREVENTING ABUSE

Since taking office, we have worked on several fronts to protect the pensions of American workers and the insurance programs from losses due to pension underfunding and abuse. PBGC's strategy for preventing losses combines three approaches:

- Encouraging sponsors to better fund their plans;
- Making it more difficult for companies to terminate underfunded plans; and
- Increasing recoveries when a plan is terminated.

PBGC is bringing powerful new enforcement tools to negotiations with companies to encourage them to fund ongoing pension plans. Under the Pension Protection Act of 1987, the employer and each and every member of the employer's controlled group is jointly and severally liable for the funding of an ongoing single-employer plan. Additionally, PBGC has the authority to obtain a lien against the assets of the employer and the controlled group if more than $1 million in unpaid contributions is owed. We have used these tools successfully in such cases as Sharon Steel to prevent termination and increase funding.

When necessary, PBGC is pressing legal actions to protect the insurance system. In particular, PBGC took the case with the LTV Corporation over restoration of three terminated pension plans to the Supreme Court, which agreed to hear the case. At issue is the PBGC's authority to restore a pension plan if the sponsor recovers financially or if the company establishes follow-on pension arrangements that effectively replicate a terminated plan, but with PBGC bearing much of the cost. If LTV is allowed to have such arrangements, other companies will have a powerful incentive to terminate their underfunded plans, with grave consequences for the pension insurance program. The case was argued on February 27 and we would expect a decision by the end of the session.

INTERNAL CONTROLS

In the area of Internal Controls, PBGC is acting to assure the public, and particularly the employer, whose premiums support the insurance programs, of the integrity of PBGC employees and operations.

In 1989, in response to a change in law, PBGC established an Inspector General with expanded powers to audit and investigate PBGC operations. The Inspector General reports directly to my office and to the Congress. He is responsible for detecting and preventing fraud, misuse of agency resources, and other unethical or criminal conduct. His first report to Congress reported no significant issues.

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One issue the PBGC is assessing now is that defined benefit plans are not growing and, at best, may be plateauing. The number of insured plans has been dropping in recent years.

Therefore, as part of its mission to encourage the continuation and maintenance of voluntary private pension plans for the benefit of their participants, PBGC has initiated several studies to isolate the problems and begin the search for solutions. These studies, to be completed in 1990, include an analysis of the shift from defined benefit to defined contribution plans; an examination of administrative costs for defined benefit plans; and its effect on the shift; and the reasons for plan formation and termination.

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I would like to provide some brief highlights of the PBGC's current financial picture and FY-1991 budget request.

First I want to note that our FY 1991 budget assumes that by the end of FY 1990, we will prevail in the Supreme Court litigation with LTV and therefore, will not be responsible for the LTV participants in FY 1991 and beyond. With no reserves for LTV, at fiscal year end of September 30, 1989, the PBGC had assets of $3.2 billion and liabilities of $4.2 billion, resulting in a deficit of about $1 billion. This represents almost a 30 percent decrease in the deficit amount from the prior year. The reduction was due primarily, to very strong investment returns, but also to increased premiums as we saw the final effects of the 1987 premium increase and moderate loss levels. In specific terms, as of the fiscal year ended September 30, 1989, the PBGC annual report will show total revenues of $1.027 billion. This amount consists of $624 million in premium revenues which represents an increase of $142 million over FY 1988 and investment income of $403 million representing a 19.6 percent return on invested assets vs. $12 million in FY 1988.

Although a significant deficit remains, the premium increase granted by the Pension Protection Act of 1987 results in a sizable positive cash flow and will ensure that the PBGC will continue to meet its current financial commitments.

Excluding the LTV plans in litigation, the PBGC's obligation to pay life annuities now covers some 231,000 participants in approximately 1500 underfunded terminated plans.

BUDGET AUTHORITY

The PBGC is requesting total obligating authority of $594,737,000 for FY 1991 and 546 FTE. This represents a net decrease of $234,188,000 compared to the FY 1990 budget and no increase in staff. The major components of our request are: 1) $521,809,000 for Benefit Payments, 2) $1,800,000 for Financial Assistance in the Multiemployer Program, 3) $28,459,000 for Other Contractual Services and 4) $42,669,000 for Administrative Expenses.

The amount for Benefit Payments represents a net decrease of $234,962,000, reflecting our assumption that we will not be responsible for paying LTV benefits by the beginning of FY 1991.

The $1.8 million for financial assistance represents no increase over the FY 1990 amount.

Our Other Contractual Services request of $28,459,000 represents an increase of $406,000 over FY 1990 to cover additional investment management fees as our portfolios grow.

Administrative expenses of $42,669,000 represent a net increase of $368,000 over FY 1990 due to $1.1 million to cover inflationary increases and $650 thousand to replace our mainframe operating system software, offset by permanent savings of $1.4 million resulting from operating efficiencies identified in FY 1989.

While the net increase in administrative expenses is only $368,000 and with no increase in FTE, I have begun to reallocate current levels of resources in order to aggressively pursue the goals I have set for FY 1990 and FY 1991. For example, through reallocation, I have increased the FTE levels in our legal, financial analysis and actuarial areas. These reallocations are consistent with my goal of "reducing" the PBGC's deficit through effective legal, investment and financial management. I have also reallocated funds to cover the costs of the GAO audit.

Finally, I have charged my senior management to find more innovative ways to improve efficiency and productivity. We plan to streamline our procedures by eliminating redundancies and unnecessary work.

CONCLUSION

As we continue to protect the pensions of workers and retirees, we look ahead to the future with greater confidence. This confidence is based on the soundness of defined benefit pension plans, the recent legislative changes that reinforced the program, and the quality and dedication of the PBGC staff.

Thank you Mr. Chairman for the opportunity to testify today. I will be happy to answer any questions that you may have.

Biographical Sketch

James B. Lockhart III

Executive Director

Pension Benefit Guaranty Corporation
Department of Labor

James B. Lockhart III was appointed Executive Director of the Pension Benefit Guaranty Corporation (PBGC) by the Secretary of Labor in July 1989. He brings to PBGC managerial experience in major companies in insurance, investments, pensions and general finance. From 1983 until his appointment as the PBGC's top executive officer, he was Vice President and Treasurer of Alexander & Alexander Services, New York, an insurance brokerage, risk management and human resources company. He was responsible for the firm's treasury activities in over 70 countries including management of an annual cash flow of over $10 billion. He also directed the company's own risk-management group and major divestitures. He served as Chairman of Alexander & Alexander's finance company and of its pension investment committee with over $600 million in worldwide assets.

Previously, Mr. Lockhart was Assistant Treasurer of Gulf Oil Corporation, with responsibility for Gulf's financing, investments, cash management, capital structure planning and management of Gulf Oil Financial. He also was Financial Director (Chief Financial Officer) for Gulf operations in Belgium, Luxemburg, Germany and France.

Mr. Lockhart received a B.A. degree from Yale University and M.B.A. from Harvard Graduate School of Business Administration. He is married and has two children.

EXECUTIVE DIRECTOR'S BACKGROUND

Mr. NATCHER. Thank you, Mr. Lockhart.

Tell us, if you will, how long have you been the Executive Director?

Mr. LOCKHART. I was sworn in in June of last year.

Mr. NATCHER. If you will now, briefly give us a little of your employment background.

Mr. LOCKHART. Right. For the six years previous to taking over the job for PBGC, I worked for the second largest insurance broker in the world and was the vice-president and treasurer. Prior to that, I was an assistant treasurer for one of the major oil companies and worked in both London and Brussels, as well as the U.S. My educational background is that I have an MBA.

CONDITION OF PRIVATE PENSION SYSTEM

Mr. NATCHER. What is your view of the overall condition of the private pension system in this country? Is it generally in good shape, Mr. Lockhart?

Mr. LOCKHART. I agree with Mr. Ball's comments. It has never been healthier. It is in very good shape. The defined benefit system, which is the one we insure, as I said, is very well overfunded, at about 1.3 times liabilities. Our concern as an insurance agency is with the limited number of companies that represent $20,000,000,000 to $30,000,000,000 of underfunding.

RELATIONSHIP TO DEPARTMENT OF LABOR

Mr. NATCHER. What is the corporation's relationship to the Department of Labor, and tell us, if you will, do you work closely with them, or do you operate fairly independently?

Mr. LOCKHART. The Secretary of Labor is the chairman of the board of the PBGC.

We work very closely with the Labor Department, especially with Mr. Ball and the PWBA area, but I also for instance, attend Secretary Dole's staff meetings. We work closely with many members of her staff.

PBGC'S DEFICIT

Mr. NATCHER. What is the deficit situation at the present time and tell us, if you will, is it better or worse than it was a year ago?

Mr. LOCKHART. At year end 1989, PBGC's deficit was down to $1,000,000,000, and the previous year it was $1,500,000,000, so there was a 30 percent reduction, which is a significant improvement.

LTV COURT CASE

Mr. NATCHER. What is the current status of the LTV Corporation court case?

Mr. LOCKHART. The oral arguments were held Tuesday of this week in the Supreme Court. They went very well, from our standpoint, and we are optimistic, and that is one of the reasons that we do not show any more LTV expenses beyond 1990.

Mr. NATCHER. Can you explain to us the possible implications of that case for your insurance program generally?

Mr. LOCKHART. Yes, sir, Mr. Chairman.

There is really a two-fold impact. First is just losing LTV, and if we lost that case, it would more than double our deficit, maybe by $1,000,000,000 to $1,500,000,000. It would also increase our work load by approximately 50 percent, in that they have that many retirees.

But probably the most important impact would be if it inspired other companies to follow their example. These companies that have these underfunded pension plans, and it could be disastrous for the program if they were inspired by the LTV loss to copycat their example.

PLAN TERMINATION ACTIVITY

Mr. NATCHER. How many plan terminations did you have in fiscal year 1989, and how many of these were underfunded?

Mr. LOCKHART. We had applications for terminations in 1989 of over 11,000 applications. We have processed somewhere around 9000. Of those, around 50 were underfunded.

Mr. NATCHER. What are your termination projections for 1990 and 1991?

Mr. LOCKHART. We are projecting for 1990 and 1991 approximately 80 underfunded plans a year being terminated, with net losses of approximately $350,000,000 each year.

Mr. NATCHER. Just briefly, Mr. Lockhart, explain to the committee what steps the corporation takes when an underfunded plan terminates. What takes place?

Mr. LOCKHART. Well, oftentimes we start working with an underfunded company well before the termination process. In particular, chief negotiator Diane Burkley and her area will work with them and try to take whatever steps to encourage them to keep the plan, whether it is using the various tools Congress has given us, the liens for instance. Oftentimes we can head them off at the pass, by working with them in a way to get them to put some more money into the plans so that they are not terminated.

And that is really our key thrust: to try to stop these terminations. But once they come in and they are terminated, we have a group within the company, a working group, that reviews the financial situation of the potential terminating company, makes a decision whether the plan should be terminated or not, and then depending on the level, it is approved up in the organization.

We then work at trying to get as much recovery when we take over the plan. Oftentimes we will leave outsiders straightening it up until we can bring it inside. If there is no money in the plan, we begin to immediately pay benefits. We try to get as much recoveries as we can from the company outside of the plan assets, we try to get employer liability recoveries, and we then work through the whole plan, figure out what benefits each individual is entitled to. The final determinations may take a couple of years.

Mr. NATCHER. Mr. Stokes, I yield to you.

Mr. STOKES. Thank you, Mr. Chairman.

LTV CASE AND POSSIBLE COPYCAT CASES

Mr. Lockhart, I certainly hope that you are right in your assessment relative to the LTV case. I am mindful that when I was in law school, a professor told me, Stokes, whenever you go to court, you never know how you are coming out. So I just hope that your assessment is correct, particularly considering the type of liability that would be imposed upon you in the event that you happen to lose.

Can you give us some estimate of your possible liability from copycat cases?

Mr. LOCKHART. It is hard to put an exact number on it, but we show in our annual report in a footnote which we look at possible exposure of about $4,500,000,000 that is sitting out there now in underfunded plans sponsored by financially troubled companies.

Not all of those would have "copycat" necessarily and not all of them would adopt follow-on plans necessarily, but that is the kind of number that you might see.

PBGC'S DEFICIT

Mr. STOKES. Now, in terms of your current deficit, what is the exact size of it?

Mr. LOCKHART. Slightly over $1,000,000,000.

Mr. STOKES. And what steps do you anticipate taking to reduce it?

Mr. LOCKHART. We have a series of actions going at the moment.

First of all, on the negotiating side, we are taking whatever steps we can to prevent plans from terminating, and that will be the major step to keep our deficit from increasing.

We do have a strong positive cash flow from premiums, so with moderate losses, the deficit will naturally shrink. The other area we are looking at is our large investment portfolio of approximately $2,500,000,000. We are studying ways to increase the returns from that as well.

CORPORATE GOALS

Mr. STOKES. In light of the fact that this is the first time that you have appeared before our committee, tell us a little bit about your goals for the corporation.

Mr. LOCKHART. Yes. When I arrived we met with the staff and we put four major goals on the table.

The first was to reduce the deficit, and to do that through the actions I was just talking with you about, Congressman Stokes.

The next one was to try and do that without increasing premiums. The third goal was to manage the program to try to prevent abuses of it, and take a strong enforcement posture. The last one is a more long range goal, which is to encourage the growth of pension plans by working with private sector and other governmental agencies.

INTERNAL CONTROLS

Mr. STOKES. I note that this year you are going to be conducting an assessment of your internal controls. Who will conduct this assessment and what is your time table?

Mr. LOCKHART. We should have it done within six months. We have hired an expert to become a full time staff member, but it will be supervised primarily by Doug Cannon, the Deputy Director, and our Inspector General.

Mr. STOKES. Your agency certainly has a very, very important job in relation to retired people in this country. It is a very difficult job, and we certainly wish you all the best. Of course, you certainly have the background to be able to do the job.

I wish you well.

Mr. LOCKHART. Thank you, Congressman. Thank you.

Mr. STOKES. Thank you, Mr. Chairman.

CASE PROCESSING INVENTORIES

Mr. NATCHER. In what parts of your operation do you have fairly sizable case processing inventories or backlogs?

Mr. LOCKHART. Our primary backlogs are in what we call our insurance operation division, and there are two areas. The primary one is trying to determine final benefits for the individuals we take over. We pay them temporary benefits, estimated benefits, and it does take us two or three years to process them.

We have rearranged the department to try to handle that and do it in a much more efficient way and we are starting to reduce that backlog.

Another area is just the individual cases as they come in the door, trying to determine how much we can get from the employer, what the actual loss is, and that backlog is relatively large, but we are also reallocating resources to try to get that down as well.

STAFFING

Mr. NATCHER. Do you believe that the agency is adequately staffed at this time, or do you have areas where you are short as far as employees are concerned?

Mr. LOCKHART. At this point we believe we are adequately staffed. We are working on ways to rearrange the staff to get them in the areas that need the most help. I think part of it will be just working more efficiently.

Mr. NATCHER. How many employees do you have on board at this time?

Mr. LOCKHART. Approximately 540 versus our FTE level of 546.

Mr. NATCHER. Will that number change to any extent during the year?

Mr. LOCKHART. No, sir. It will just go up and down with hirings.

ADMINISTRATIVE EXPENSES

Mr. NATCHER. You are requesting authority to spend $42,269,000 on administrative expenses in 1991. How does that compare with 1990?

Mr. LOCKHART. It is $368,000 higher, or approximately 1 percent.

Mr. Natcher. Do you feel that your so-called built-in increases are fully covered in the budget?

Mr. Lockhart. Yes, Mr. Chairman.

Mr. Natcher. Were you allowed to build in a certain percentage increase for inflation in your non-personnel costs?

Mr. Lockhart. Yes, we did that by using savings and other areas to build in inflation where we needed it.

Mr. Natcher. Are you expected to absorb the 1991 cost of the proposed January 1991 federal pay increase?

Mr. Lockhart. Yes. We will absorb 50 percent of the $655,000.

Mr. Natcher. How much will that cost in 1991?

Mr. Lockhart. 50 percent of $655,000.

Mr. Natcher. What actions are you taking to absorb the 1990 cost of the most recent federal pay increase?

Mr. Lockhart. Again, we are reallocating expenses within the agency to cover it, therefore absorbing it.

1990 SEQUESTER

Mr. Natcher. We see that your agency did not have a 1990 sequester pursuant to the Gramm-Rudman-Hollings Act. How did you get around this, Mr. Lockhart? There are a whole lot of people that would like for you to explain that to them.

Mr. Lockhart. Well, budgeting is not one of my areas of expertise. Could you explain that?

Mr. McMullen. Basically, Mr. Chairman, is when the appropriation in 1990 falls below the base line estimates that are used in the Gramm-Rudman, the sequestration is assumed to have already been taken through the appropriation process. You will find that in a few other agencies within the Department also.

COMPUTER SOFTWARE

Mr. Natcher. You are seeking a $650,000 increase for upgrading computer software. Why is this necessary, Mr. Lockhart?

Mr. Lockhart. The present operating system for our IBM computer is old and really outdated, and we are not getting service, or we won't get service from IBM on it in the future, and we think it is critical to get a new system in that can be serviced.

Mr. Natcher. How did you arrive at this figure of $650,000?

Mr. Lockhart. Our computer people estimated it in talking with IBM.

OPERATING EFFICIENCIES

Mr. Natcher. On page 4 you show a reduction of $1,400,000 resulting from operating efficiencies. What is this related to?

Mr. Lockhart. The operating efficiencies are a series of actions. Some are savings on outside services that we use, like LEXIS, Standard & Poors, and Dun and Bradstreet.

Part of it was that we purchased equipment, rather than renting it, which was a more cost effective way to do it.

Another portion was we had a facility management contract, which was reduced by $250,000.

INSPECTOR GENERAL

Mr. Natcher. Have you established an inspector general for the agency?

Mr. Lockhart. Yes, sir.

Mr. Natcher. How much staff would be assigned?

Mr. Lockhart. We just added one body to that group, and now it is seven.

SIGNIFICANT LEGAL CASES

Mr. Natcher. If you will, for the record, provide a list of your most significant legal cases during the past year, and give us a summary of each one.

Mr. Lockhart. We will do so.

[The information follows:]

SIGNIFICANT LEGAL CASES

A list of legal cases follows:

LTV

The most important litigation in the PBGC's history is over the PBGC's restoration of three pension plans of LTV Steel Company, Inc., a subsidiary of The LTV Corporation. The plans cover more than 100,000 workers and retirees, and have about $1 billion in assets and $3 billion in liabilities.

The PBGC terminated and trusteed the three pension plans in January 1987 after LTV, in Chapter 11 bankruptcy, stopped contributing to the plans and informed the PBGC that it could not and would not fund them. Subsequently, LTV established new "follow-on" pension plans that wrap around PBGC-paid benefits in such a way as to result in a _de facto_ continuation of the old plans. These follow-on plans, in combination with the guaranteed benefits paid by the PBGC, provide substantially the same benefits as those provided under the original plans. The PBGC has long taken the position that such follow-on plans are an abuse of the pension insurance program because they effectively convert PBGC insurance from a safety net for retirees into a subsidy of corporate pension costs. Allowing LTV to have them would create a powerful inducement to other companies to terminate their underfunded plans, with potentially grave consequences for the pension insurance program.

Based on LTV's establishment of the follow-on plans, as well as on dramatic improvements in LTV's financial condition, the PBGC in September 1987 exercised its statutory authority to restore the three previously terminated plans to full active operation by LTV. A legal battle ensued in the federal courts in New York. The district court and the court of appeals upheld the PBGC's authority to restore pension plans to companies in bankruptcy. However, the courts reversed the PBGC's restoration of the three LTV plans, holding that follow-on plans do not constitute an abuse and that PBGC was required to defer to general policies underlying bankruptcy and labor law. The courts also ruled that LTV's financial improvement was not a sufficient basis for restoration unless the PBGC could establish that LTV could fully fund the plans over the long term.

Convinced that the future of the pension insurance program was at risk, the PBGC asked the United States Supreme Court to review the case, and the Court agreed. Oral argument before the Supreme Court was held on February 27, 1990. A decision is likely before the end of the summer.

Although the PBGC believes it will ultimately prevail in the restoration litigation, the agency filed contingent claims in the bankruptcy court seeking recovery of the plans' unfunded liabilities in the event the restoration is not upheld. LTV and several creditors groups have challenged the PBGC's calculation of its claims, resulting in litigation in the bankruptcy and district courts. The outcome of this litigation cannot be predicted with any certainty.

Wheeling-Pittsburgh Steel Corporation (WP)

The WP plans are underfunded by almost $500 million. When WP terminated its pension plans, it agreed with the United Steelworkers of America to institute follow-on plans. The PBGC initially refused to accept the plan terminations because of the possible adoption of follow-on plans, but ultimately did so after the company agreed not to implement any follow-on pension arrangement without the approval of either PBGC or a federal district court. When WP later sought to establish follow-on plans, PBGC refused to approve them and WP asked the U. S. District Court for the Western District of Pennsylvania for a declaratory judgment that the plans are lawful under ERISA. The district court stayed this litigation until after the Supreme Court rules in the LTV case.

In another facet of the case, in December 1989, the bankruptcy court approved the settlement reached by the PBGC and WP of PBGC's bankruptcy claims. The agreement calls for payment of $85 million through a confirmed plan or reorganization and will be in satisfaction of claims for employer liability and for due and unpaid contributions.

While the settlement resolved PBGC's claims against WP, it left PBGC free to sue any party that might be liable for an allegedly improper contribution of company stock in lieu of cash in 1982. Accordingly, in November 1988, PBGC sued M & I Marshall and Ilsley Bank of Milwaukee, Wisconsin, the former trustee of the pension plans. PBGC's complaint alleges that the trustee accepted the newly issued non-marketable preferred stock in violation of its duty to handle the plans' assets in the interests of the participants and beneficiaries, and in violation of the prohibited transaction rules of ERISA. PBGC has calculated that if the funds due the plans from the company at the time of the stock transaction -- September 1982 -- had been given to the plans' existing investment managers to manage as they managed other equity investments, the investment would have been worth more than $40 million by the time the plans terminated in 1985. This amount, less the minimal value of the stock, is the loss to the pension plans resulting from the transaction.

Eastern Air Lines (EAL)

On March 9, 1989, EAL filed a petition in bankruptcy under Chapter 11 in the U.S. Bankruptcy Court for the Southern District of New York. The PBGC is actively participating in the bankruptcy case, since, if the EAL pension plans were to terminate, the total underfunding could approach $1 billion.

On February 22, 1990, Eastern reached a tentative agreement with its unsecured creditors, under which creditors would receive a 50% distribution on their claims. Of an estimated $980 million in general unsecured claims, creditors would receive $300 million in cash and $190 million in 8-year notes (at 15% interest), for a total of $490 million. Texas Air is expected to provide a substantial portion of the $300 million cash payment, and the $190 million in notes will either be paid by Continental ($95 million) or guaranteed by Continental ($95 million), and will be secured, at least in part, by Eastern's Atlanta gates and facilities. The PBGC is analyzing the current arrangement to determine its impact on the ability of Eastern and its controlled group to meet their pension obligations.

Significantly, the proposed agreement with the creditors does not involve any break-up of the Eastern/Texas Air/Continental controlled group. PBGC had previously warned Eastern and Texas Air that it may have to terminate the Eastern plans if Eastern proceeded with the reorganization plan it proposed on January 25, under which Eastern's controlled group would have broken up. Termination of Eastern's plans before the contemplated break-up of the controlled group would have imposed a joint and several liability on Eastern, Continental and Texas Air for approximately $1 billion in pension underfunding; if the PBGC had permitted the break-up to take place, and the plans were terminated thereafter, Eastern alone would have been liable for the pension underfunding.

Eastern has indicated that its 1989 contributions of about $160 million will be made.

United Engineering

United Engineering, Inc. is the sponsor of a pension plan that is underfunded by approximately $60 million. The company filed for a distress termination in September 1988, but PBGC suspended processing of the termination (as required by ERISA) pending adjudication of a challenge to the termination brought by a group of retirees and by the United Steelworkers of America in the U. S. District Court for the Northern District of Ohio. The retirees and the union also have raised questions about the reduction in benefits required under ERISA section 4041(c)(3) during the pendency of the litigation challenging termination and have named the PBGC as a defendant in the district court action. In addition, this is one of the first cases involving PBGC's authority under the Pension Protection Act to perfect liens for missed plan contributions.

Mary Collins, et al. v. PBGC

Until 1980, ERISA authorized the PBGC to guarantee only those plan benefits to which a participant was entitled under the terms of the plan. On September 26, 1980, the Multiemployer Pension Plan Amendments Act became law. The Multiemployer Act authorized the

PBGC to also guarantee benefits to which a participant would have been entitled under ERISA's requirements, which were generally effective for plan years beginning after December 31, 1975, even if the plan did not conform to ERISA. One of the principal requirements was improved vesting in a participant's accrued benefit. This additional authority given to the PBGC by the Multiemployer Act, however, was limited to the guarantee of benefits under plans terminating after the enactment of the Multiemployer Act.

Three participants in a plan that terminated in 1977 and did not conform to ERISA's vesting requirements have sued the PBGC on behalf of an alleged nationwide class, asking that the court compel the PBGC to treat them as vested in their plan benefits as a result of ERISA's minimum vesting standards, and to guarantee their benefits on that basis. The plaintiffs also seek a determination that such vesting improvements are not subject to ERISA's five-year phase-in of benefit increases. (The application of ERISA's phase-in rule to actual plan amendments implementing ERISA's vesting requirements was previously challenged in the Rettig and Piech cases, which were consolidated into one class action; the PBGC settled Rettig and Piech by agreeing to pay 65% of the additional amount of benefits that would have been guaranteed but for the application of the phase-in rule to such ERISA-mandated vesting amendments that had actually been adopted.) Although the PBGC's potential liability from Collins has not been authoritatively estimated, the PBGC believes that it may be quite substantial, and the PBGC is vigorously defending. Preliminary estimates indicate that this potential liability could be up to $1 billion, including substantial administrative costs, but likely will be much less. The Collins case could involve participants in up to 12,000 terminated plans.

Navistar

In 1977, Navistar International Corporation (then International Harvester) arranged a leveraged buy-out of its capital-hungry, unprofitable Wisconsin Steel Division, having calculated that it would sustain a greater loss on liquidation with plan termination liability to the PBGC than upon the Division's failure two years after the sale without plan termination liability. The thinly-financed buyer assumed the division's greatly underfunded pension plans while Harvester retained a lien on the Division's most valuable assets. With Navistar's assistance, Wisconsin Steel continued operations for just over two years. Harvester then withdrew its support, foreclosing on Wisconsin Steel's assets, and Wisconsin Steel filed bankruptcy. The underfunded pension plans were terminated and the PBGC assumed responsibility for paying guaranteed benefits.

The PBGC filed suit in the United States District Court for the Northern District of Illinois against Harvester, contending that, when viewing the substance of the transaction over its form, the "sale" was in essence a deferred liquidation of Wisconsin Steel and a deferred termination of the Wisconsin Steel pension plans, and that Harvester could not avoid employer liability to the PBGC.

In March 1988, the court denied Navistar's motion to dismiss the PBGC's claims, expressing its agreement with the PBGC's contention that Congress did not intend to permit a solvent employer to dump its pension obligations onto the pension insurance system by effecting a sale to an insolvent or thinly-financed buyer. The court established a two-part standard that the PBGC was required to meet at trial: (1) that a principal purpose of the transaction was to evade pension obligations and (2) that as of the time of the sale, the buyer lacked a reasonable chance of succeeding and satisfying the unfunded pension obligations. In November 1988, after a lengthy trial, the court concluded that the PBGC successfully proved both prongs of this test. The court's decision has not yet become final; further proceedings must be conducted to determine the amount of Navistar's liability, which PBGC estimates at $150 million.

PBGC v. Lundberg, et al.

In this civil suit, the PBGC is seeking restitution of more than $7 million improperly removed from pension plans formerly sponsored by Lundberg Industries, Ltd. The plans, which cover some 800 participants in New Mexico and Texas, were terminated and trusteed by the PBGC in the spring of 1988. The separate civil suits filed by PBGC and the Department of Labor regarding the Lundberg case were consolidated in early 1989, and the agencies are coordinating their efforts. In June 1989, one of the defendants in the case requested the United States District Court for the Northern District of Texas to stay the entire civil action pending resolution of state and federal criminal proceedings instituted against some of the defendants. Both the PBGC and DOL opposed the motion, with the PBGC arguing that it should not be restrained from obtaining speedy restitution of the pension plan assets that the defendants removed. On July 31, 1989, the District Court, citing "the important interests to be protected by the Pension Benefit Guaranty Corporation and the Labor Department," denied the motion.

On February 13, 1990, the jury in the criminal case against Thomas Lundberg and John Sanders, the former trustees of the Lundberg pension plans, found both Lundberg and Sanders guilty of conspiracy to embezzle from the plans and of various other embezzlement counts. Sentencing is scheduled for May. The PBGC continues to prosecute its civil suit against Lundberg, Sanders, and others.

SIGNIFICANT OUTSIDE CONTRACTS

Mr. **Natcher**. Also for the record provide a list of significant outside contracts that the agency currently has, showing the amount and purpose of each, and the name of the contractor.

Mr. **Lockhart**. Yes, sir.

[The information follows:]

SIGNIFICANT OUTSIDE CONTRACTS

A list of significant contracts ($50,000 or more) in the FY 1990 Budget (awarded or planned for award) follows. Please note that in many instances more than one vendor is or will be supplying the good or service in the amount noted.

Subject to Limitation

Good or Service	Amount
Lexis Research (legal) services. Contractor(s): Lexis Research Inc.	99,800
Actuarial valuation services related to the calculation of individual retiree benefits. Contractor(s): Milliman & Robertson; Mercer, Meidinger & Hansen; Facciani & Company and; Eleanor Foster	1,205,604
Actuarial valuation services related to the calculation of due and unpaid employer contributions. Contractor(s): Milliman & Robertson	250,000
Services to operate and maintain a secured central participant/benefit file system. Contractor(s): Not yet awarded	118,600
Communications support services to operate and maintain telephone communications to respond to participant inquiries. Contractor(s): Not yet awarded	65,000
Word processing services. Contractor(s): Sellers & Company	85,000
Services needed to prepare and issue Inititial Determination Letters (notice of final benefit amounts). Contractor(s): Office Specialists of Massachusetts	560,000

Purposes	Amount
Services related to the financial analysis of financially distressed companies. Contractor(s): Mead Data Central; Poble Partners, Inc.; and Phillip H. Smith	50,044
Services to maintain and improve the PBGC's automated Benefit Computation and Valuation System. Contractor(s): John R. Mertens	50,000
Software development services for generating past due filing notices and processing statements of accounts related to the variable rate premium structure. Contractor(s): Roger Consulting Group	79,100
Facilities management services to provide technical on-site support to the corporate computer center. Contractor(s): Vanguard	1,300,000
Participant database services to to ensure validity and consistency of data. Contractor(s): Cincinnati Bell Information Systems	183,788
Services to provide strategic long-term planning assistance consistent with management of federal information resources. Contractor(s): Applied Management Systems	66,212
Hardware maintenance services on various corporate-owned hardware and peripherals. Contractor(s): IBM; and Grumman Systems	477,000
Data entry support services. Contractor(s): Science Management Corporation	71,500

Purposes	Amount
Document storage and retrieval services to transfer voluminous records to automated system for storage and retrieval. Contractor(s): Not yet awarded	85,000
Services to develop capabilities requirements for the Corporation's Case Administration System. Contractor(s): Science Management Corporation	102,700
Maintenance support and modification services for the Financial Accounting and Reporting System. Contractor(s): Computer Data Systems, Inc.	150,000
To provide definition requirements, design, and implementation of the new Premium Accounting System. Contractor(s): Booz/Allen; and RGI	564,400
Department of Labor Working Capital Fund agreement for payroll services. Contractor(s): Department of Labor	80,000
Analysis services related to Due and Unpaid Employer Contributions. Contractor(s): Not yet awarded	72,000
Investment management services related to the Corporation's Government Securities Portfolio. Contractor(s): Morgan Stanley	100,000
Services to assist in identifying and collecting past due premium fees and in preparing a database for the new Premium Accounting System. Contractor(s): Computer Data Systems Inc.	367,900
Software licenses and miscellaneous services. Contractor(s): IBM Computer Associates	420,000

Purposes	Amount
Not Subject to Limitation	
Outside legal counsel related to cases in litigation. The $2,335,000 budgeted for FY 1990 is essentially a contingency and will be used to engage various firms, if required, in support of litigation depending on the special circumstances of various cases.	2,335,000
Asset custody, accounting, reporting, performance measurement and investment management services. Contractor(s): State Street Bank and Trust Co.	505,000
Investment management services related to PBGC's Trust Fund investment portfolio. PBGC's outside investment management services are paid on a performance-based-fee basis. The FY 1990 budget for these services is $9.0 Million; however, our present estimate for these services for FY 1990 is being decreased to about $5.0 million to $6.0 million. PBGC's FY 1990 investment management services are being provided by the following investment managers:	
Chase Investors Management Corporation	1/
Lazard Freres Asset Management	1/
Lehman Management Company	1/
McCowan Associates	1/
United Capital Management	1/
Disciplined	1/
Investment Advisors	1/
Loomis Sayles and Company	1/
Scudder, Stevens and Clark	1/
Pacific Investment Management Company	1/
Dimensional Investment Advisors	1/
American National Bank	1/
Wells Fargo	1/
Karsten Realty	1/
Pacific Investment Advisors	1/

1/ Fee amount is performance based and will not be known until final investment returns are tabulated for the year.

Purposes	Amount
Asset custody, accounting, reporting performance measurement and investment management services. Contractor(s): Mellon Bank	340,000
Performance measurement services related to the investment management of PBGC's trusteed assets. Contractor(s): Wilshire Associates	150,000
Plan asset valuation and liquidation services. Contractor(s): Not yet awarded	1,227,000
Benefits administration services related to the court agreed settlement of the Rettig case. Contractor(s): Office Specialists of Massachusetts	650,000
Actuarial services related to recalculation of participant benefits as required by the court agreed settlement of the Rettig Case. Contractor(s): Milliman & Robertson, Buck Consultants, Coopers & Lybrand, Mercer, Meidinger & Hansen, Peat Marwick, and Facciani & Co.	2,000,000
To provide for the costs of a Settlement Committee and a Dispute Resolution Committee as required by the court agreed settlement of the Rettig Case. Contractor(s): Rettig/Piech Settlement Committee	324,000
ADP Systems support related to carrying out the court agreed settlement of the Rettig Case. Contractor(s): Viatech, Inc.	57,000
Advertising services related to carrying out the court agreed settlement of the Rettig Case. Contractor(s): Washington Agency	220,000

Purposes	Amount
Outside actuarial services related to cases in litigation. The $2,038,000 budgeted for FY 1990 is essentially a contingency and will be used to engage various firms, if required in support of litigation, depending on the special circumstances of the cases.	2,038,000
Outside financial services related to cases in litigation. The $2,312,000 budgeted for FY 1990 is essentially a contingency and will be used to engage various firms, if required in support of litigation, depending on the special circumstances of the cases.	2,312,000
Interim benefits administration services of the LTV plans. Contractor(s): Plans still being administered by LTV. No contract has been awarded for these services.	1,900,000
Check writing services for the LTV plans. Contractor(s): Mellon Bank	182,000
Interim benefit administration services of White Motor/White Farms Plan. Contractor(s): Robert Mendenhall	225,000
Interim benefits administration services of the Allis Chalmers Plan Contractor(s): Ronald Kolz	60,000
Interim benefits administration services of the Kaiser Steel Plan. Contractor(s): Ruth Beck; Dawn Smith; and Lorraine Cooper	175,000
Interim benefits administration services of the Mesta Plan. Contractor(s): Sylvia Foley	51,000

Purposes	Amount
Interim benefits adminstration services of the Phoexnix and Dubuque Plans. Contractor(s): Benefits Administrative Services of Iowa	225,000
Interim benefits administration services of the Weibolt Plan. Contractor(s): Benefits Administrative Services of Iowa	81,370
Interim benefits administration services of the Trailways Plan. Contractor(s): Benefits Administrative Services of Iowa	75,502
Benefit Check-paying services to plan participants and beneficiaries. Contractor(s): State Street Bank	2,704,000

PLAN TRUSTEESHIPS

Mr. NATCHER. How many plans are currently in trusteeship?

Mr. LOCKHART. Slightly over 1500.

Mr. NATCHER. How many participants are in actual payment status?

Mr. LOCKHART. Approximately 110,000.

Mr. NATCHER. How does that compare, Mr. Lockhart, with a year ago?

Mr. LOCKHART. It is actually slightly down from last year, and that results from more deaths than new participants in plans that we took over.

Mr. NATCHER. How much are you paying out now on a monthly basis?

Mr. LOCKHART. We are paying out approximately $30,000,000 a month, plus another $25,000,000 a month for LTV.

Mr. NATCHER. What is your average monthly payment to an individual, just the average?

Mr. LOCKHART. Approximately $260 a month.

OTHER CONTRACTUAL SERVICES

Mr. NATCHER. You show that $29,000,000 was spent in 1989 for other contractual services. Now, just generally, how did you spend this money?

Mr. LOCKHART. It is mainly case related to these big cases we are dealing with. It is legal fees, and then there is one for financial advisors, investment bankers, then another major portion would be investment management fees of approximately $5,000,000 to $6,000,000, and then the fees that we pay to the outside contractor that actually makes the checks out to the 110,000 retirees a month.

Mr. NATCHER. When we get the transcript back, go into detail just a little more for us, if you will, please.

Mr. LOCKHART. Yes, sir.

[The information follows:]

ADDITIONAL INFORMATION ON OTHER CONTRACTUAL SERVICES

PBGC's Other Contractual services budget for FY 1989 was $29,097,000. Of this amount PBGC obligated $22,009,000. Actual outlays against these totals were about $15,000,000, primarily because of a much lower than expected payout for the performance based investment management fees. The FY 1989 budget amount of $29,097,000 consisted of the following: Legal and financial services in connection with the termination of pension plans and the acquisition and protection of assets of terminated plan:

Outside legal fees	$4,383,000
Financial/actuarial valuation services fees	2,984,000
Subtotal	7,367,000
Investment management and asset custody fees for the investment portfolio of trusteed assets	11,370,000
Outside benefits administration services	5,475,000
FY 1989 expenses (benefits administration services, actuarial services, ADP costs and advertising) related to the implementation of the court agreed settlement of the Rettig Case)	4,885,000
Total	29,097,000

ERISA DATA PROCESSING SYSTEM

Mr. **Natcher**. As you know, the Pension and Welfare Benefits Administration has developed a new ERISA data processing system. How is this new system benefiting your agency?

Mr. **Lockhart**. The benefit will be that they will be able to better monitor the 5500 reports, and will use it as a good, strong enforcement tool, and to the extent that encourages plan sponsors to better fund their pension plans, that will obviously help us.

Mr. **Natcher**. Mr. Lockhart, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget for fiscal year 1991.

This has been a good hearing. Thank you very much. The committee will now recess until 2 o'clock this afternoon.

[The following questions were submitted to be answered for the record and the justifications follow:]

MANAGEMENT TRANSITION

Mr. Conte: What have you done to insure that the transition from one management team to another hasn't disrupted the normal workflow of PBGC?

Mr. Lockhart: We have enjoyed a very effective and well organized transition at the PBGC. The new non-career executives have worked closely with the career executives and staff to review policy and management issues.

We provided for an overlap between the outgoing Reagan Administration non-career incumbents and the incoming Bush Administration executives.

We asked the three incumbent non-career executives to remain in their positions until the three new non-career executives were sworn in, and then to stay on as consultants for about 30 days thereafter. Two of the three incumbents were able to do this. Both the non-career and career staff have continued to consult with all three of the prior non-career executives on issues where their expertise is helpful.

Further, all three of the new senior non-career executives, as well as the two schedule C appointees, had significant prior experience dealing with the issues or functions they are now responsible for, so that minimal on-the-job training was necessary.

CONSEQUENCES OF THE LTV CASE

Mr. Conte: On Tuesday the Supreme Court heard the case of PBGC versus LTV Steel Corporation. Your budget is based on the assumption that PBGC will prevail. What would be the consequences for PBGC if the courts rule in favor of LTV?

Mr. Lockhart: The PBGC would assume responsibility for about 100,000 participants of the LTV plans. About 60,000 are in active pay status. It would also add $300 million per year in benefit payments. Assuming responsibility for these plans could more than double the PBGC's deficit in addition to creating an incentive for other companies to follow LTV's example.

Mr. Conte: Litigation isn't cheap. How much has it cost? Please include administrative as well as legal costs.

Mr. Lockhart: On average, approximately five OGC staff members have been working on the LTV restoration matter since November 1986 through the oral argument in the Supreme court heard on February 27, 1990. They have spent up to one-half of their time on it and, on occasion, nearly full time. Outside legal counsel costs in the LTV restoration matter from November 1986 through February 1990 have totalled approximately $660,000. Overall, PBGC uses its internal legal staff cost effectively. Our external legal costs in 1988 were $2.4 million and 1989 $1.0 million.

Mr. Conte: Many of LTV's competitors are claiming that LTV gained a sizable competitive edge by underfunding its pension plan. If its true we could see many other companies do the same thing. What do you think about this?

Mr. Lockhart: If the decision of the court of appeals is not reversed, the PBGC is concerned that other companies will follow LTV's example and use pension insurance as a subsidy to reduce costs and gain a competitive edge. PBGC could then become an open-ended source of industry bail-outs, unlegislated by Congress, with escalating costs to premium payers and ultimately workers.

UNDERFUNDED COMPANIES NEEDING HELP

Mr. Conte: It has been estimated that single company pension plans, similar to the one at LTV, are underfunded by about $16 billion. How many of these companies are likely to call on PBGC for help?

Mr. Lockhart: Our current review of publicly available information suggests about $6 billion in unfunded pension liabilities in 20-25 firms which are evidencing financial hardship. Based on historical experience, it is hard to predict when a plan might terminate.

SHIFT TO DEFINED CONTRIBUTION PLANS

Mr. Conte: Because part of PBGC's mission is to encourage voluntary private pension plans you must be analyzing the shift from defined benefit to defined contribution plans. What do you know about this trend?

Mr. Lockhart: During the 1980's the portion of pension plan participants that had defined benefit plans providing their primary coverage declined from 80 percent to 70 percent. The greatest decline occurred among relatively small companies.

While there is no shortage of theories to explain this decline in the popularity of defined benefit plans, the problems or reasons have not been carefully analyzed. The PBGC has consequently initiated several studies to identify those reasons and assess their significance. These studies focus on where the shift from defined benefit to defined contribution plans has occurred and the extent to which it is explained by changing employment patterns; administrative costs and how they differ between defined benefit and defined contribution plans; the reasons that sponsors give for their decisions to terminate an existing plan or establish a new one; and the relationship between leveraged buyouts and termination of defined benefit plans. Most of them will be completed in 1990.

DECREASE IN PBGC'S DEFICIT

Mr. Conte: At the end of FY 89 you reported assets of $3.2 billion and liabilities of $4.2 billion or a deficit of about $1 billion or a 30 percent decrease in the deficit from the prior year. What have you learned from that experience that can be used in the future to continue reducing the deficit? Can we apply it to the federal deficit?

Mr. Lockhart: The change in PBGC's financial condition in a given year is very sensitive to whether or not we experience a very large claim. In FY 89, our claims were below our historical average. Our results also reflect a strong investment return earned on PBGC's assets. Given the sensitivity of PBGC's future condition to these two hard to predict variables, it is difficult to predict whether we will be able to continue this trend. We will continue to apply loss prevention strategies that we've initiated in 1989 and we are also reviewing our investment policy.

PREMIUM INCREASE

Mr. Conte: In your testimony you said that you received $624 million in premiums. Do you expect premiums to continue to go up?

Mr. Lockhart: We no longer expect a significant increase in premiums. Premiums increased significantly since 1985 because of the two single-employer premium increases approved by SEPPAA and PPA and the last two increases authorized by MPPAA for the multiemployer program became effective.

Absent further rate changes, future increases will be modest and occur only as a result of increases in the number of covered plans, and the number of participants, or in the case of the single-employer program variable premium, the degree to which plans are underfunded changes.

Mr. Conte: Have any companies not offered pension benefits because they thought the premiums were to high?

Mr. Lockhart: While the PBGC has no evidence as to how companies weigh the PBGC premium in deciding whether or not to establish a covered defined benefit plan, we do know that no company terminating a covered plan has ever cited premiums as the sole reason for the termination. PBGC premiums still represent less than 1 cent per hour for a worker in a well funded plan and less than 3 cents per hour in a very poorly funded plan.

ERISA BACKLOG

Mr. Conte: What is the current state of the ERISA backlog?

Mr. Lockhart: The Corporation has trusteed 1,466 plans that terminated as insufficient terminations, distress terminations or involuntary terminations. Excluding the three LTV plans that are in litigation, these plans include 110,000 retirees that are currently receiving benefits. Of the 1,466 plans that are trusteed, the PBGC has processed 1,056 plans. The remaining 410 plans are between 25% and 50% completed.

Of the 110,000 retirees currently receiving benefits, about 67% are being paid on an estimated basis. It should be noted, however, that the differences, between retirees estimated benefits and their final determined benefit amounts, are generally not significant. The PBGC currently has a number of initiatives underway to reduce the number of retirees receiving estimated benefits. These include developing a participant data base which is the essential element needed to effect improvements in the process of determining benefits and resolving the issue of how to value potential collections so that plans can be processed and final benefits determined without waiting for the final outcome of bankruptcy proceedings.

The PBGC also has approximately 13,000 standard plan terminations that are pending submission of distribution data by the plan administrator. There remains very little work to be done by the PBGC on these cases, which will be closed upon receipt of the notices of distribution from the plan administrators.

EASTERN AIRLINE CASE

Mr. Conte: What priority does PBGC have over other creditors in the Eastern Airline Case?

Mr. Lockhart: The PBGC has filed seven claims in the Eastern case, including claims on the PBC's own behalf for employer liability representing the total plan underfunding ($1.1 billion). The claim for employer liability is filed as an administrative priority claim under 11 U.S.C. s507(a)(1). We have claimed the highest administrative priority under the Bankruptcy Code because the claim, if it is liquidated, will be in the nature of a tax, under ERISA, that is incurred during the period of bankruptcy administration. Alternatively, we have claimed priority under s 507(a)(7), which includes claims for taxes incurred prior to the filing of the bankruptcy petition. In addition, the PBGC filed claims on behalf of the plans for minimum funding contributions ($230 million). The contribution claims were filed as administrative priority claims under s 507(a)(1) for the amounts that accrued during the period of bankruptcy administration ($100 million); the portions of the claims that were attributable to the 180 day period prior to the filing of the bankruptcy petition were filed as employee benefit claims entitled to priority under s 507(a)(4) ($32.5 million); and the portions that accrued prior to the 180 day period were filed as general unsecured claims, not entitled to any priority ($97.5 million). The PBGC's $1.1 billion employer liability claim is subject to adjustment downward to reflect the value of the plans' contribution claims. And, since the claims were filed, Eastern has made several contributions to the plans, including a $72 million cash contribution on September 15, 1989, that was made with the assistance of Texas Air.

It is anticipated that Eastern or other creditors would object to the s 507(a)(1) and (a)(7) administrative priority status for the employer liability claim, if it is liquidated, on the ground that 30 percent of the controlled group net worth limits the priority status of the claim.

The PBGC's claims are generally contingent on termination of Eastern's pension plans. PBGC filed the contingent claims to protect the plans and the insurance program in the event the contingency of plan termination occurs. If Eastern's plan of reorganization, including satisfactory provision for current contribution, is confirmed and the plans are not terminated, PBGC claims will be withdrawn.

Mr. Conte: You are waiting for the hammer to fall on the Eastern Airlines case. Are there other cases which are pending that could dramatically impact PBGC?

Mr. Lockhart: I think it is premature to say we are waiting for the hammer to fall. We are closely monitoring the situation to make sure we are not put at an unacceptable risk. At this time, Eastern has not applied to us for a distress termination nor have we decided to involuntarily terminate their plan.

There are a handful of other situations where the condition of the plan sponsor and the magnitude of underfunding are significant. They involve plans in the steel, airline and communication area.

Their impact would not, however, be so great as to demand an immediate increase in PBGC's premium given our liquidity and the assets that would be acquired as part of the termination process.

RETIREMENT PROGRAMS IN THE NEXT CENTURY

Mr. Conte: More and more of the folks in this country will be of retirement age in the next century. Do you have any projections about what the average worker can expect from his or her retirement program?

Mr. Lockhart: The PBGC has not made such projections. However, since benefits from defined benefit plans are usually based on earnings in the final years of employment and frequently are subsequently adjusted for changes in the cost-of-living, workers participating in such plans should typically find their benefits keep pace with changing income needs. The benefits of those retiring in the future may be enhanced by recent legislation such as accelerated vesting and shortened participation requirements.

The Employee Benefit Research Institute has stated that recent evidence indicates the next generation of retirees will be better off than current retirees. Among the reasons cited is growth in long-term two-earner families and hence a larger portion of persons receiving larger private pensions and Social Security benefits.

ASSETS VS. LIABILITIES

Mr. Roybal: Does the Pension Benefit Guaranty Corporation (PBGC) currently have sufficient assets to meet its liabilities?

Mr. Lockhart: Although our deficit is $1.0 billion we currently have, and expect to continue, a strong positive cash flow which will permit us to meet our operating costs and benefit obligations to retirees well into the future.

Mr. Roybal: Would you please provide specific data on assets versus liabilities for fiscal year 1989, and the current fiscal year to date?

Mr. Lockhart: At fiscal year ended September 30, 1989 the PBGC had assets of $3.2 billion (primarily invested in U.S. Government securities and equities), liabilities of $4.2 billion and a resulting deficit of $1.0 billion. For the current fiscal year to date period of October 1, 1989 to February 28, 1990, as best as can be determined at this time, no major changes have occurred since FY 1989 year end, that would not be attributable to market action in investments and a possible change in interest rate used to value the PBGC's Reserve for Guaranteed Benefits.

Mr. Roybal: What type of industries are currently having the largest impact on the liabilities being incurred by PBGC?

Mr. Lockhart: The industries with the largest plan underfundings are in automobile manufacturing, steel and airlines. Historically our largest claims have come from steel firms. Many other claims have come from other large scale manufacturers (i.e., farm implements, trucks, etc.).

The steel industry currently has the largest impact on the PBGC's liabilities. This is true even when excluding LTV.

FINANCIAL PROJECTIONS

Mr. Roybal: What are your projections for PBGC's financial status in future years?

Mr. Lockhart: PBGC's future financial status will be very sensitive to whether or not we experience a few large claims. In our just published Annual Report, we illustrated how sensitive our financial condition would be to these uncertainties.

Depending on whether we base our projections on our recent past, our full 15 years' experience, or that all sponsors we feel are at risk terminate their plans, we could have a surplus of $1.5 billion or a deficit of $7.9 billion.

Mr. Roybal: From what industries do you project PBGC's greatest liabilities in the future?

Mr. Lockhart: We do not specifically project from which industries our largest claims will come. However, the industries with the largest plan underfundings are automobile manufacturers, steel and airlines.

EFFECT OF LTV ON PREMIUMS

Mr. Roybal: What would be the effect on PBGC if the Corporation should be required to insure the pension benefits of the three LTV corporation plans that were ended? Would this require an increase in insurance premiums?

Mr. Lockhart: PBGC's taking responsibility for the three contested LTV plans alone would not require a premium increase. However, the ultimate financial effect on PBGC will depend on whether other companies experiencing financial problems try to follow LTV's example. Thus if we are required to take responsibility for the LTV plans, we will have to examine the adequacy of the existing program and premiums and consider the proposal of new legislation to address the problem.

TERMINATIONS WITH EXCESS ASSETS

Mr. Roybal: How many terminations of pension plans with excess assets of more than $1.0 million occurred in fiscal year 1989?

Mr. Lockhart: We estimate that when we get the final filings for 1989 that 200 plans will have terminated with excess assets of more than $1 million in calendar 1989. The total surplus attributable to these plans will approach $1 billion.

Mr. Roybal: How many applications do you currently have for such terminations?

Mr. Lockhart: 24 such plans are pending for calendar 1989 involving a total surplus of approximately $100 million.

ASSET REVERSIONS

Mr. Roybal: What is your position on pension asset reversions and proposals to permit firms with overfunded plans to use pension "surpluses" to pay for retiree health benefits?

Mr Lockhart: The law imposes a 15 percent excise tax on reversions and there is a 5-year waiting period before a reversion may take place after adoption of a plan amendment permitting or increasing possible reversions. The Administration is opposed to further constraints on reversions proposed in the Congress. While the intent of the proposals is to protect benefits, the Administration believes they will be counterproductive because they will discourage maintenance of existing defined benefit plans and establishment of new ones.

The Administration supports transfers of surplus assets to pay for retiree health benefits provided an adequate cushion of surplus assets is left in the pension plan to protect against future declines in market value; this was proposed in the FY 1991 budget.

LEGAL RESPONSIBILITY ON ANNUITY CONTRACTS

Mr. Roybal: Does the PBGC have a legal responsibility to make good on annuity contracts purchased by employees in asset reversion situation?

Mr. Lockhart: The PBGC does not believe that Congress intended the PBGC insurance program to cover annuities purchased by employers in those situations. The selection of insurers comes from the fiduciary standards and the PWBA in Department of Labor will continue enforcing those standards. In addition, the PBGC and the PWBA are woking together to develop procedures for the selection of an annuity company.

EASTERN AIRLINE PENSION FUND

Mr. Porter: I have heard from many of my constituents about irregularities in the handling of the Eastern Airline pension fund, first during its acquisition by Texas Air, and later during the labor unrest and bankruptcy procedures. What has been your involvement with Eastern during the last several years?

Mr. Lockhart: Pursuant to section 412 (f) of the Internal Revenue Code, the Internal Revenue Service consulted with PBGC prior to granting Eastern waivers for its minimum funding contributions to its pension plans for the years 1982, 1985, 1987 and 1988. Also pursuant to section 412 (f), PBGC negotiated and perfected security covering the waived amounts for the plans' benefit. Since the bankruptcy filling, we have been in active discussions concerning Eastern's plans for its and its pension plans future.

STATUS OF EASTERN'S PENSION FUND

Mr. Porter: What is the current status of the Eastern pension fund?

Mr. Lockhart: The PBGC understands that Eastern and the unsecured creditors have reached an agreement. The proposal would keep the pension plans ongoing and maintain Texas Air and Continental Airlines' legal responsibility for the plans, including ultimate liability for nearly $1 billion in pension underfunding. We are now analyzing the specifics of the agreement to make sure that the plans will be adequately funded.

Mr. Porter: Are employees at risk of losing benefits?

Mr. Lockhart: Employees would not lose benefits if the plans continue as Eastern has proposed. However, if the plans are terminated, participants may lose a portion of their benefits that are not guaranteed by the PBGC.

Mr Porter: What is your exposure in this case?

Mr. Lockhart: The Eastern plans are underfunded by about $984 million. PBGC's loss would depend on recoveries from Eastern and members of its controlled group.

Mr. Porter: Do you plan to take future action during the bankruptcy proceeding?

Mr. Lockhart: After Eastern's bankruptcy filing in March 1989, PBGC became concerned that the proposed sale to Peter Ueborroth would break up Eastern's controlled group, as a result of which Texas Air and Continental Airlines would no longer be jointly and severally liable for contributions to Eastern's plans and for the underfunding of the plans (about $1 billion) if the plans terminated. PBGC met with the various parties to express this concern. PBGC is a potential major creditor in the bankruptcy and monitored closely the bankruptcy including an in-depth review of Eastern's finances and its various reorganization proposals. Recently, PBGC expressed to Eastern and Texas Air its serious concern about Eastern's plan to give up unsecured creditors 40% of Eastern's stock, again breaking up the controlled group. The latest plan proposed does not break up the controlled group. PBGC is now waiting Eastern's formal plan of reorganization and will study the impact on the ability of Eastern and controlled group members to continue the plans.

IMPACT OF OHIO V. BETTS ON PBGC

Mr. Porter: What impact will the recent Supreme Court decision in *Ohio v. Betts* have on PBGC.

Mr. Lockhart: The *Ohio v. Betts* decision arose under the Age Discrimination in Employment Act (ADEA) and addresses the issue of whether the State of Ohio's benefit plan provisions in that case were a "subterfuge" to evade the provisions of the ADEA. The court held that all provisions of bona fide employee benefit plans are exempt from the preview of the ADEA, unless the plan is a subterfuge for discrimination in the nonfringe-benefit aspects of the employment relationship. The PBGC abides by valid plan provisions in effect in the date of the plan termination and guarantees benefits based on those provisions. The PBGC has had no experience in dealing with the *Betts* decision because no provision in a terminated plan has been alleged to be a "subterfuge" to violate the ADEA. Therefore, we are unable to predict what impact, if any, the decision will have on the program. We understand that legislation is being proposed to overturn the *Betts* decision.

Mr. Porter: What is the administration position on that decision?

Mr. Lockhart: The Administration is working on bill S-1511, recently reported by the Senate Labor and Human Resources Committee, that would reverse the *Betts* decision.

TERMINATION/REESTABLISHMENT CONCERNS

Mr. Dwyer: Since the early 1980's thousands of companies have terminated their overfunded pension plans and seized more than $20 billion in so-called assets. Some have subsequently reestablished similar pension plans at much lower funding levels. Concerns have been raised whether these pension plans were overfunded at all and that the reestablished plans, while they are solvent now, are in danger of being undercapitalized in the future. Do you believe that these concerns are valid?

Mr. Lockhart: In the case of a termination/reestablishment, the sponsor is required to purchase annuities for the benefits accrued under the terminated plan. Except in the case of some final pay plans, there should be no initial unfunded liability in the reestablished plan. In those final pay plans, any initial unfunded liability will be subject to the funding standards which were strengthened by OBRA '87. Those standards require that contributions be sufficient to amortize the initial unfunded liability as well as fully fund current accruals.

Mr. Dwyer: What steps has the PBGC taken to insure that these new pension plans are adequately maintained.

Mr. Lockhart: Congress strengthened the minimum funding standards in 1987 to, among other things, require faster amortization of benefit increases and impose stiffer sanctions for failing to make required contributions. The PBGC does not believe that reestablished plans pose a risk to the insurance program because the guidelines and the new funding rules adequately protect PBGC and plan participants.

SAFETY OF ANNUITY CONTRACTS

Mr. Dwyer: As you know, when some overfunded pension were terminated, corporations purchased annuities for their retirees from insurance companies, some of which are heavily invested in junk bonds. With the bankruptcy of Drexel Burnham, the attention of many pensioners has been drawn to the financial exposure of these insurance companies, and the subsequent safety of their annuity contracts. What efforts has the PBGC undertaken to examine these insurance companies and what will the PBGC do if and when these companies fail?

Mr. Lockhart: The PBGC and the PWBA are working together on this issue. The PWBA is investigating plans to determine whether fiduciaries have complied with ERISA in the selection of insurers. PBGC and PWBA are working closely to develop procedures for addressing situations where participants' benefits may be at risk as a result of the selection of an insurance company to provide annuities. Annuity companies are regulated by the state, of which 44 have guaranty funds. We would expect these funds to back-up the annuities if the companies fail.

JUSTIFICATION OF THE BUDGET ESTIMATES

PENSION BENEFIT GUARANTY CORPORATION

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PENSION BENEFIT GUARANTY CORPORATION

The Pension Benefit Guaranty Corporation is authorized to make such expenditures, including financial assistance authorized by section 104 of Public Law 96-364, within limits of funds and borrowing authority available to such Corporation, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended (31 U.S.C. 9104), as may be necessary in carrying out the program through September 30, [1990], *1991* for such Corporation: Provided, That not to exceed [$42,301,000] $*42,669,000* shall be available for administrative expenses of the Corporation: Provided further, That contractual expenses of such Corporation for legal and financial services in connection with the termination of pension plans, for the acquisition, protection or management, and investment of trust assets, and for benefits administration services shall be considered as non-administrative expenses for the purposes hereof, and excluded from the above limitation. (Department of Labor Appropriations Act, 1990).

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AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Limitation authority	546	40,737,000	546	42,301,000	546	42,669,000
Other contractual services	-	29,097,000	-	28,053,000	-	28,459,000
Benefit payments	-	744,962,000	-	756,771,000	-	521,809,000
Financial assistance	-	1,800,000	-	1,800,000	-	1,800,000
B. Total, estimated obligations	546	$816,596,000	546	$828,925,000	546	$594,737,000

SUMMARY OF CHANGES

	1990	1991	Net Change
Estimated Obligations:			
Revolving Fund	$828,925,000	$594,737,000	-$234,188,000
Total	$828,925,000	$594,737,000	-$234,188,000
Full-Time Equivalent:			
Revolving Fund	546	546	0
Total	546	546	0

	Revolving Fund FTE	Revolving Fund Amount
Explanation of Change:		
Increases:		
Built-In:		
To provide for:		
Administrative Expenses (Limitation):		
Net increase for total personnel compensation costs	-	$361,000
Net cost of personnel benefits increase		47,000
Increase in travel and transportation	-	48,000
Increase in equipment rental	-	24,000
Increase in space rental and other communications	-	342,000
Increase in printing	-	2,000
Increase in contracts	-	202,000
Increase in services by government agencies	-	20,000
Increase in miscellaneous services	-	49,000
Increase in training	-	5,000
Increase in supplies	-	5,000
Increase in equipment purchases	-	13,000
Subtotal Administrative Expenses (Limitation)	-	1,118,000

Other Contractual Services (Non-Limitation):

To provide for an increase in Other Contractual services related to increased costs	-	406,000
Subtotal for Other Contractual Services (Non-Limitation)	-	406,000

Benefit Payments:

Increase in Benefit Payments related to additional participants	-	81,585,000
Subtotal Built-in Increases	-	83,109,000

B. Program:

To provide for:

Administrative Expenses (Limitation)

Replacement of mainframe operating system software	-	650,000
Subtotal Administrative Expenses (Limitation)	-	650,000
Subtotal Program Increases	-	650,000
Total Increases	-	83,759,000

Decreases

A. Built-In:

To reflect:

Administrative Expenses (Limitation):

Permanent savings resulting from operating efficiencies identified in FY 1989	-	-1,400,000
Subtotal Administrative Expenses(Limitation):	-	-1,400,000
Subtotal Built-In Decreases	-	-1,400,000

B. Program:

To reflect:

Benefit Payments:

Reduction in benefit payments related to the expected return of three LTV pension plans (currently in litigation) to LTV Corporation	-	-316,547,000
Subtotal Benefit Payments	-	-316,547,000
Total Program Decreases	-	-316,547,000
Total Decreases	-	-317,947,000
Total Change	-	-$234,188,000

OBLIGATIONS BY ACTIVITY

	1989 Comparable		1990 Prior Estimate		1990 Current Estimate		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Obligations Applied to Revolving Funds:										
1. Administrative Expenses	546	$40,737,000	546	$42,301,000	546	$42,301,000	546	$42,669,000	-	+368,000
2. Other Contractual Services	-	29,097,000	-	28,053,000	-	28,053,000	-	28,459,000	-	+406,000
3. Benefit Payments	-	744,962,000	-	795,844,000	-	756,771,000	-	521,809,000	-	-234,962,000
4. Financial Assistance	-	1,800,000	-	1,800,000	-	1,800,000	-	1,800,000	-	0
Total Obligations	546	$816,596,000	546	$867,998,000	546	$828,925,000	546	$594,737,000	-	-$234,188,000

OBLIGATIONS BY OBJECT

	1990 Prior Est.	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions........	530	562	562	0
Full-time equivalent:				
Full-time in permanent positions..................	530	530	530	0
Other positions............	16	16	16	0
Total......................	546	546	546	0
Average ES salary...........	$75,500	$78,200	$78,200	0
Average GM/GS grade.........	10.14	10.10	10.10	0
Average GM/GS salary........	$37,628	$38,159	$38,777	+$618
Average salary of ungraded positions..................	-	-	-	-
Personnel compensation:				
Permanent positions........	$20,084,000	$20,106,000	$20,446,000	+$310,000
Positions other than perm..	461,000	714,000	726,000	+27,000
Other personnel compensation....................	373,000	538,000	547,000	+24,000
Subtotal, personnel compensation...............	20,918,000	21,358,000	21,719,000	+361,000
Personnel benefits..........	3,492,000	3,225,000	3,272,000	+47,000
Travel and transportation of persons....................	489,000	492,000	559,000	+67,000
Transportation of things....	29,000	45,000	26,000	-19,000
Communications, utilities, and other rent.............	5,259,000	5,658,000	6,024,000	+366,000
Printing and reproduction...	187,000	176,000	178,000	+2,000
Other services 1/...........	39,101,000	38,258,000	37,627,000	-631,000
Supplies and materials......	419,000	477,000	482,000	+5,000
Equipment...................	460,000	665,000	1,241,000	+576,000
Investments and loans.......	1,800,000	1,800,000	1,800,000	--
Insurance claims and indemnities	795,844,000	756,771,000	521,809,000	-234,962,000
Total, obligations by object...................	$867,998,000	$828,925,000	$594,737,000	-234,188,000

	1990 Prior Est.	1990 Estimate	1991 Estimate	Change
Working Capital Fund obligations included above............	(80,000)	(80,000)	(61,000)	(-19,000)
Advisory and assistance services included above............	(590,000)	(590,000)	(647,000)	(+53,000)
Federal Employees' Retirement System contributions included above......................	(805,000)	(805,000)	(835,000)	(+30,000)

1/ Includes the following amounts for services by government agencies:

Department of Health and Human Services:				
U.S. Public Health Service	(35,400)	(35,400)	(36,100)	(+700)
Social Security Administration	(14,000)	(14,000)	(14,300)	(+300)
Department of Treasury	(2,500)	(2,500)	(2,500)	(-)

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to be Taken
1990 House Report (No. 101-172)	
No Specific Actions Recommended	
1990 Senate Report (No. 101-127)	
No Specific Actions Recommended	
1990 Conference Report (No. 101-274)	
No Specific Actions Recommended	

AUTHORIZING LEGISLATION

	Budget Request	
	1990	1991
Legislation		
Authorizing legislation containing indefinite authority		
Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) 29 U.S.C.§1301, *et. seq.* (1976), (Public Law 93-406), as amended by the Multiemployer Pension Plan Amendments Act of 1980, Public Law 96-364, (September 26, 1980), 94 Stat. 1208; the Single-Employer Pension Plan Amendments Act of 1986, (SEPPAA) Public Law 99-272, (April 7, 1986) 100 Stat. 82 and the Pension Protection Act (PPA) Public Law 100-203, (December 22, 1987) 101 Stat. 1330.....................	$828,925,000	$594,737,000

STATEMENT OF REVENUE AND EXPENSE

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Revenue			
Premium Income	$623,604,000	$637,857,000	$645,425,000
Investment Income	80,326,000	85,264,000	116,676,000
Other Income	677,000	657,000	758,000
Total estimated income	$704,607,000	$723,778,000	$762,859,000
Expenses			
Net operating loss or gain(-), trust fund	$35,982,000	$146,094,000	$183,301,000
Net liability incurred due to plan terminations	29,298,000	579,089,000	360,555,000
Provision for pending terminations (net)	133,896,000	-242,109,000	-
Actuarial adjustment for financial assistance	726,000	796,000	787,000
Administrative expenses	42,972,000	55,584,000	42,744,000
Accrued annual leave	104,000	-	-
Total estimated expenses	$242,978,000	$539,454,000	$587,387,000
Net operating gain, loss(-), total	$461,629,000	$184,324,000	$175,472,000

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FINANCIAL CONDITION

Public Enterprise Fund

	FY 1988 Actual	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Assets				
Fund balance with U.S. Treasury	-$4,145,000	$430,000	$430,000	$430,000
U.S. securities(par)	763,461,000	907,949,000	1,615,676,000	2,081,507,000
Adjustment to market value	7,035,000	15,664,000	13,551,000	12,792,000
Accounts receivable	39,588,000	257,922,000	13,200,000	13,329,000
Equipment, net	2,387,000	598,000	848,000	773,000
Loans to plans(net)	4,532,000	5,338,000	6,271,000	7,123,000
Total assets	$812,858,000	$1,187,901,000	$1,649,976,000	$2,115,954,000
Liabilities				
Unearned premiums	$150,094,000	$155,709,000	$153,924,000	$155,378,000
Accounts payable	73,197,000	10,754,000	12,343,000	12,268,000
Net liability incurred terminated plans	3,321,083,000	1,756,715,000	2,277,499,000	2,567,545,000
Estimated liability for pending terminations	97,300,000	242,109,000	-	-
Reserve for Financial Assistance	11,231,000	10,933,000	10,205,000	9,286,000
Accrued annual leave	1,236,000	1,340,000	1,340,000	1,340,000
Total liabilities	$3,654,141,000	$2,177,560,000	$2,455,311,000	$2,745,817,000
Government Equity				
Unexpended balances:				
Undelivered orders	$10,023,000	$24,033,000	$10,500,000	$10,500,000
Unobligated balance:				
Fund balance	565,590,000	975,804,000	1,452,539,000	1,917,119,000
Authority to borrow	100,000,000	100,000,000	100,000,000	100,000,000
Unused borrowing authority	-100,000,000	-100,000,000	-100,000,000	-100,000,000
Invested capital	-3,416,896,000	-1,989,496,000	-2,268,374,000	-2,557,482,000
Total Government equity	-$2,841,283,000	-$989,659,000	-$805,335,000	-$629,863,000

STATUS OF TRUST FUNDS

	FY 1988 Actual	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Assets				
Cash	$ 4,000	$274,000	$274,000	$274,000
Investments	2,081,880,000	1,599,330,000	1,902,861,000	2,115,169,000
Receivables:				
Due from Pension Benefit Guaranty Corporation	3,484,251,000	2,002,012,000	2,277,499,000	2,567,545,000
Due from employers-terminated plans	1,289,165,000	383,236,000	377,095,000	374,115,000
Due from employers-pending terminations	-	4,280,000	-	-
Assets of pretrusteed plans	53,967,000	48,118,000	158,857,000	114,022,000
Assets of plans pending termination	121,153,000	243,091,000	-	-
Other assets	10,505,000	7,998,000	7,998,000	7,998,000
Total assets	$7,040,925,000	$4,288,339,000	$4,724,584,000	$5,179,123,000
Liabilities				
Estimate of future benefits-terminated plans	$6,801,814,000	$3,758,542,000	$4,684,268,000	$5,138,806,000
Estimate of future benefits-pending terminations	218,453,000	489,480,000	-	-
Other liabilities	20,658,000	40,317,000	40,316,000	40,317,000
Total Liabilities	$7,040,925,000	$4,288,339,000	$4,724,584,000	$5,179,123,000

JUSTIFICATION

	1990 Prior Estimate FTE	1990 Prior Estimate Amount	1990 Estimate FTE	1990 Estimate Amount	Difference Prior Est./Estimate FTE	Difference Prior Est./Estimate Amount	1991 Estimate FTE	1991 Estimate Amount	Difference 1990/1991 FTE	Difference 1990/1991 Amount
1. Administrative Expenses	546	$42,301,000	546	$42,301,000	--	--	546	$42,669,000	--	+$368,000
2. Other Contractual Services	--	28,053,000	--	28,053,000	--	--	--	28,459,000	--	+406,000
3. Benefit Payments	--	795,844,000	--	756,771,000	--	-39,073,000	--	521,809,000	--	-234,962,000
4. Financial Assistance	--	1,800,000	--	1,800,000	--	--	--	1,800,000	--	- -
Total estimated obligations	546	$867,998,000	546	$828,925,000	--	-39,073,000	546	$594,737,000	--	-$234,188,000

GENERAL STATEMENT

The Pension Benefit Guaranty Corporation (PBGC) is a wholly-owned self-financing government corporation established by Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) as amended by the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA), the Single-Employer Pension Plan Amendments Act of 1986 (SEPPAA), and the Pension Protection Act of 1987 (PPA).

Title IV of ERISA provides that the PBGC is to:

1. Encourage the continuation and maintenance of voluntary private pension plans for the benefit of plan participants.

2. Provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries under the pension plans covered by Title IV of the Act.

3. Maintain its insurance premiums at the lowest level consistent with carrying out its obligations under Title IV of the Act.

The PBGC administers two (2) insurance programs:

1. Guarantee of basic benefits of single-employer plans (Single-Employer Program) - Under this program PBGC pays basic benefits for private sector single-employer defined-benefit pension plans should the plans terminate with insufficient assets to provide basic benefits. ERISA limits the total monthly benefit that PBGC can pay to one individual (currently $2,164.77 per month).

2. Guarantee of basic benefits of Multiemployer Plans (Financial Assistance Program) - Under this program multiemployer plan benefits are guaranteed only if a plan is insolvent. The PBGC provides financial assistance to a plan if it receives an application for such assistance from a plan and verifies that the plan is or will become insolvent and unable to pay basic benefits when due. In such cases, the PBGC will provide financial assistance in the form of a loan which is repayable by the plan.

Financial Structure

The financial structure of the PBGC includes both public enterprise funds held by the U.S. Treasury and trust funds held primarily by private fiduciary agents.

Public Enterprise (Revolving) Fund. Administrative expenses are charged to, and premium collections and investment income are credited to, the public enterprise fund. The public enterprise fund is also used to disburse benefit payments and financial assistance.

The Pension Protection Act of 1987 changed the premium structure from a flat-rate premium of $8.50 per participant to a variable-rate premium. The variable-rate premium includes a basic annual charge of $16 per participant for all plans and an additional charge for underfunded plans -- up to a maximum total premium of $50 per participant for the most severely underfunded plans. The average premium is approximately $19 per participant.

Trust Fund. When the PBGC becomes trustee of a terminated single-employer or a multiemployer pension plan, it transfers the plan's assets into the single-employer or multiemployer trust fund (referred to collectively as "the trust fund"). The trust fund has three major sources of funding: (1) plan assets, (2) employer liability collections and (3) investment income.

Financial Condition

At the end of FY 1989 the present value of the PBGC's obligations to participants and beneficiaries in terminated plans was $3.8 billion. The Corporation's total liabilities were $4.5 billion. As a result, the Corporation's assets of $3.5 billion at the end of FY 1989 were $1 billion short of the level required for proper funding of its benefit obligations and other liabilities. Although the PBGC retains a significant deficit, the premium increase granted by the Pension Protection Act of 1987 (PPA) will ensure that the PBGC will continue to meet its current financial commitments.

Program Effects

PBGC's protection currently extends to some 31 million participants and beneficiaries in 105,000 single-employer defined-benefit pension plans and approximately 9 million participants and beneficiaries in 2,300 multiemployer defined-benefit plans.

Not including the LTV Steel pension plans that are in litigation, PBGC's obligations to pay life annuities now cover more than 231,000 participants and beneficiaries (109,000 pay status and 122,000 deferred vested) in approximately 1,500 terminated pension plans.

In January 1987, PBGC terminated and trusteed three LTV Steel Company pension plans after LTV, in Chapter 11 bankruptcy, stopped contributing to the plans. The three plans, which cover more than 100,000 workers and retirees, were underfunded by about $2 billion.

Subsequently, LTV established new "follow-on" pension plans that wrap around PBGC-paid benefits and result in a de facto continuation of the old plans with substantially the same benefits. PBGC has long taken the position that such follow-on plans abuse the pension insurance program by effectively converting PBGC insurance from a safety net for retirees into a subsidy of corporate pension costs. If PBGC were to allow such arrangements, companies could continue benefits as if no termination had occurred while transferring much of their funding responsibility to PBGC. PBGC already is facing such "copycat" cases.

Based on LTV's establishment of the follow-on plans, as well as on dramatic improvements in LTV's financial condition, in September 1987 PBGC restored the three previously terminated plans to full active operation by LTV. A legal battle ensued in the federal courts in New York. The district court and the court of appeals subsequently reversed the restoration, ruling that follow-on plans do not constitute an abuse and that PBGC was required to defer to general policies underlying bankruptcy and labor law. The courts also ruled that LTV's financial improvement was not a sufficient basis for restoration unless PBGC could establish that LTV could fully fund the plans over the long term.

Convinced that the future of the pension insurance program was at risk, PBGC asked the U.S. Supreme Court to review the case. The Solicitor General of the United States filed a "friend of the Court" brief supporting the PBGC's request for review. On October 30, 1989, the Supreme Court agreed to hear the case. The Court may hand down a decision as early as June 1990.

PBGC's budget for FY 1991 assumes it will prevail in litigation with LTV by the end of FY 1990 and, as such, will not be responsible for the LTV participants in FY 1991 and beyond.

ADMINISTRATIVE EXPENSES AND OTHER CONTRACTUAL SERVICES

1990 Prior Estimate		1990 Current Estimate		Difference Prior Est./Current Est.		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
(a) Administrative Expenses									
546	$42,301,000	546	$42,301,000	-	-	546	$42,669,000	--	+$368,000
(b) Other Contractual Services									
-	$28,053,000	-	$28,053,000	-	-	-	$28,459,000	--	+$406,000

Introduction

The purposes of PBGC's Administrative Expenses and Other Contractual Services activities are to provide executive direction, management and administrative support services to its benefit insurance programs and to provide for legal and financial services in connection with the termination of pension plans, for the acquisition, protection, management, and investment of trust assets and for benefits administration services.

The PBGC operates as an entitlement program. Consequently, it cannot administratively limit incoming work or individual benefit payment levels as a result of resource limitations. By law, whenever covered plans terminate, the PBGC is required to ensure that the retirees and beneficiaries of these terminated plans receive their proper benefits in a timely manner.

PBGC's Administrative Expenses are subject to a spending limitation. However, Other Contractual Services expenses are not subject to limitation. The limitation exemption on Other Contractual Services was granted in recognition of the unpredictability and wide variations in these costs when plans terminate.

The key 1990-1991 goals of the PBGC are:

- o to reduce the PBGC's deficit through effective legal, investment and financial management;
- o no increase in premiums;
- o to participate with other government and private sector groups to study the long term viability of defined benefit plans; and
- o to better define PBGC's insurance coverage to eliminate potential abuses.

FY 1991

The major thrusts of the FY 1991 request are 1) to assure that all eligible pensioners receive, in a timely manner, benefits to which they are properly entitled; 2) to provide participants and premium payers timely and quality service; 3) to pursue litigation, policy and regulatory reforms targeted at protecting the insurance program from specific abuses and; 4) to seek and implement management initiatives which will allow the Corporation to better meet the challenge of increased workload from new plan terminations at the lowest possible cost.

Timely payment of benefits: PBGC will continue to emphasize use of outside contractors where it is cost beneficial to do so and/or where the workload exceeds in-house staff capacity. Often the PBGC must initially contract with existing plan administrators of newly terminated plans because of its inability to immediately absorb the additional workload that results when plans terminate. This has proven to be a workable solution to assuring a continuation of payments to participants while the PBGC prepares to assume responsibility for terminated plans. Resources (Other Contractual Services) to engage outside contractors for interim benefits administration are proposed to be exempt from spending limitation, as in prior years.

Management Initiatives: Emphasis will continue to be placed on implementation of management initiatives that enable the PBGC to provide high quality, low cost services to its participants and premium payers. In the participant area, plans are to increase the automated transfer of participant data to the PBGC rather than on-site gathering of the data. Another effort will be to continue to consolidate participant administration activities and institute an earlier presence in the termination process in order to reduce delays, avoid redundancy, and facilitate more timely and accurate calculation of benefits. PBGC also plans to provide more understandable "plain-language" benefit statements to participants. Also where practicable, the PBGC will make shifts between existing resources in order to increase the number of actuarial calculations. These calculations are required before a participant receives final benefits versus estimated benefits.

Premiums: PBGC expects to continue work on a major re-design of its premium processing and collections system. The effort which began in FY 1990 is expected to continue into FY 1991. Also premium audit activity is expected to be increased. The re-designed premium system and increased audit activity are expected to generate increased income through more timely and increased collections of premiums and related penalties and interest.

Strengthening Defined Pension Plan System: Significant efforts will be devoted to activities aimed at strengthening and preserving defined benefit pension plans. These will include pursuing litigation intended to protect the insurance program from specific abuses and providing information and testimony when requested by the Department, Congress and OMB regarding issues affecting pension security. Such issues may include the effect of excess asset reversions, leveraged buy-outs, pension portability, and the drift from defined benefit to defined contribution plans.

FY 1990

In terms of workload and financial implications, the outcome of the Supreme Court decision regarding the LTV plans will be perhaps the most important issue the PBGC will face during FY 1990. The case will be decided before the end of FY 1990.

The LTV case holds great significance for the future of the insurance program for single-employer plans. If the PBGC were to allow follow-on plans such as LTV's, participants would receive benefits as if no termination had occurred while the employer transfers much of its funding responsibility to the PBGC. This could create a powerful inducement for other companies to terminate underfunded plans. A consequence would be subsidizing companies in reorganization and their creditors by taking over liability for benefits of terminated plans that would be essentially the same as the benefits promised in follow-on plans. Such a precedent would endanger the PBGC's ability to guarantee the retirement benefits of American workers given current sources of income and assets. Consequently, a foremost goal during FY 1990 is for the PBGC to prevail in this enormously important litigation.

Another major goal during FY 1990 is to begin reducing the PBGC deficit through continued, effective legal actions, investment performance, increased operating efficiencies, and financial management. Specifically, PBGC plans to request a GAO audit of its financial statements. Also, review and implementation of internal controls will be emphasized. With regard to operational efficiency, PBGC plans to perform productivity analyses that are expected to result in more informed resource allocation decisions and shifts of resources to major workload areas that currently have significant inventories.

In the area of case processing and participant services, the PBGC expects to at least stabilize and possibly begin to reduce its processing inventories.

FY 1989 Accomplishments

During FY 1989, the Supreme Court agreed to hear the PBGC's pivotal case with LTV Corporation over responsibility for three pension plans underfunded by more than $2 billion. At issue is PBGC's authority to protect the insurance program from abuse. The Court's decision is expected during FY 1990.

In 1989, PBGC had income from premiums and investments strong enough to pay benefits and reduce its deficit for the first time in years. Revenues from higher premiums and investment returns increased PBGC's assets to more than $3 billion and reduced its deficit by 30%, to approximately $1.0 billion.

Fewer pension plans defaulted, and workers and retirees were more secure because of protections that took effect during 1989 and because of strong enforcement efforts. PBGC identified 46 new underfunded pension plan terminations as compared to 79 in 1988.

About 109,000 retirees, excluding LTV, received timely and uninterrupted monthly pension checks under the protection of PBGC during 1989. PBGC is obligated to pay pension benefits to another 122,000 workers, when they retire.

PBGC enforced responsibilities of employers and fiduciaries and sought recoveries through litigation and tough negotiation. PBGC established an Inspector General, with expanded powers to audit and investigate operations. At the end of FY 1989, the agency had 127 cases in active litigation and was handling an additional 499 uncontested bankruptcy cases.The agency also used the threat of its new authority to place liens on corporate assets to encourage companies to make substantial contributions to the funding of their pension plans.

In FY 1989, PBGC enhanced its benefit communications with simplified information about its guarantees for pensioners. In addition, new "plain-language" publications on pensions explained the rights of retirees and responsibilities of employers under federal law. A summary of PBGC's major workload follows.

Major Workload Indicators

Workload/Program Measures	FY 1989 Actual	FY 1990 Estimated	FY 1991 Estimated
Sufficient Non-trusteeships and Standard Terminations			
Cases in Process Beginning FY	10,121	12,580	12,580
New Notices Received in FY	11,402	11,000	11,000
Cases Closed Administratively in FY	2,758	2,000	2,000
Cases Closed - Completed	6,179	9,000	9,000
Cases Pending at End of FY	12,580 1/	12,580 1/	12,580 1/
Trusteeship/Potential Trusteeship Cases			
Cases in Process Beginning FY	197	190	150
Cases Opened in FY	93	80	80
Cases Closed (Not Terminated in FY	40	40	40
Cases Trusteed in FY	60	80	80
Cases Pending at End of FY	190	150	110
Participants Owed Benefits			
1. Total at BOY (previous terminations)	217,000	231,000	246,000
2. Net increase in participants requiring benefits administration during the year (new terminations)	14,000	15,000	15,000
3. Total at EOY (1 + 2):	231,000	246,000	261,000

1/ PBGC processing of initial filings generally complete. Cases remain open pending receipt of information required from plan sponsor.

Changes for 1991 (Administrative Expenses & Other Contractual Services)

Activity Changes:

Built-in Increases (Administrative Expenses):

Net increase for total personnel compensation costs	$361,000
Personnel Benefits increase	47,000
Travel & Transportation	48,000
Rents & Communications	366,000
Other Services	276,000
Printing	2,000
Supplies	5,000
Equipment Purchases	13,000
Subtotal Built-in Increase (Administrative Expenses)	1,118,000
Built-in Increases(Other Contractual Services)	+406,000
Total Built-in Increases	+1,524,000
Total Built-in Decreases	-1,400,000
Net Program	+650,000
FTE	0

Administrative Expenses:

Proposal: To provide funding for a technically current upgrade of PBGC's mainframe operating system software.

Rationale: IBM has indicated its intention to discontinue the version of operating system software used by the PBGC. As a result the PBGC would run the risk of not having maintenance support if it does not update its operating software. PBGC cannot afford to risk being without serviceable software. If the PBGC's operating system software is not replaced, and PBGC experiences a computer failure, operations would suffer tremendously.

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Program Effects: The increase will allow the PBGC to continue to maintain serviceable operating system software and prevent the risk of shut-down of computer operations. This acquisition does not take the PBGC in a new technological direction.

Base

FTE: 546 Estimate: $44,274,000

Program Increase:

FTE: 0 Estimate: +$650,000

BENEFIT PAYMENTS

1990 Prior Estimate		1990 Current Estimate		Difference Prior Est./Current Est.		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
—	$795,844,000	—	$756,771,000	—	-$39,073,000	--	$521,809,000	--	-$234,962,000

Introduction

Benefits are paid directly by the PBGC to participants in terminated plans for which the PBGC has become trustee and for which the PBGC has assumed benefits administration responsibility. The PBGC also makes payments to interim paying agents of plans for which the PBGC has become trustee but has not yet assumed benefit administration responsibility.

1991 Budget

The resources estimated for benefit payments are needed to pay legally required monthly benefit payments to an estimated 124,000 participants and beneficiaries in pay status in terminated covered pension plans for which the PBGC is or will be responsible for by the end of FY 1991. The 124,000 assumes that, by the end of FY 1990, the PBGC will prevail in the litigation involving the three LTV plans and as a result will not make any further benefit payments to LTV retirees in FY 1991 and beyond.

1990

FY 1990 resources for this activity are necessary to pay monthly benefit payments to an estimated 176,500 participants and beneficiaries in pay status in terminated covered pension plans for which the PBGC is or expects to be responsible for by the end of FY 1990. Of the 176,500, approximately 60,000 are payees in the three LTV plans that are in litigation.

1989

At the end of FY 1989, the PBGC was responsible for the payment of monthly benefits to some 169,000 pay-status participants and beneficiaries in terminated covered plans. Of the 169,000, approximately 60,000 are payees in the three LTV plans that are in litigation.

CHANGES FOR 1991

Activity Changes:

Built-in......................................	$81,585,000
Net Program...................................	-$316,547,000

FINANCIAL ASSISTANCE

1990 Prior Estimate		1990 Current Estimate		Difference Prior Est./Current Est.		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
—	$1,800,000	—	$1,800,000	--	--	--	$1,800,000	--	—

Introduction

The Multiemployer Pension Plan Amendments Act of 1980 (MPPAA) requires the PBGC to extend financial assistance to insolvent multiemployer plans to enable them to pay promised benefits. When the PBGC verifies the insolvency and inability of the plan to pay basic benefits when due, it must provide the plan with sufficient funds to pay the basic benefits. The PBGC does this through repayable loans.

The PBGC regulates the loan disbursements and repayments in order to prevent unreasonable loss.

1991 Budget

PBGC expects that new loans in the amount of $1,800,000 will be made under this program during FY 1991.

1990

PBGC expects that new loans in the amount of $1,800,000 will be made under this program during FY 1990.

1989

During FY 1989, the PBGC made loans under this program in the amount of $1,266,000 to 3 insolvent multiemployer plans.

Activity Changes:

Built-in...	--
Net Program......................................	--

ADVISORY AND ASSISTANCE SERVICES

Type	FY 1990	FY 1991
Advisory and Assistance Services	$524,000	$581,000
Personnel Appointments:		
a. Consultants and Experts	0	0
b. Advisory Committee Members	66,000	66,000
Total	$590,000	$647,000

JUSTIFICATION OF FY 1991 REQUEST

Activity 1: Program Administration ($581,000)

A. Advisory and Assistance Services

Funds for advisory and assistance services are used to engage expert advice in unusual management, administrative and program situations.

These include:

- Organizational review and advice and miscellaneous studies aimed at enhancing productivity, i.e. workload studies and paperwork documentation;
- Financial advice to assist in the resolution of extremely complex cases;
- Systems planning and efficiency review to ascertain how corporate ADP resources can be better utilized.

A. Consultants and Experts: (None)

B. Personnel Appointments ($66,000)

b. Advisory Committee Members:

The Advisory Committee to the PBGC was established by the Employee Retirement Income Security Act of 1974, Section 4002(h). The purpose of the Committee is to advise the Corporation as to its policies and procedures relating to (a) the appointment of trustees in termination proceedings, (b) investment of monies, (c) whether plans being terminated should be liquidated immediately or continue in operation under a trustee, and (d) such other issues as the Corporation may request from time to time.

Type size
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STANDARD FORM 306
July 1966, Bureau of the Budget
Circular No. A-11, Revised
306-103

PBGC-28

DETAIL OF PERMANENT POSITIONS

	19 89 actual	19 90 estimate	estimate
Executive level I	-	-	-
Executive level II	-	-	-
Executive level III	-	-	-
Executive level IV	-	-	-
Executive level V	1	1	1
Subtotal	1	1	1
ES-6	-	-	-
ES-5	-	-	-
ES-4	-	-	-
ES-3	-	-	-
ES-2	-	-	-
ES-1	0	0	0
Subtotal	0	0	0
GS-18	0	0	0
GS-17	4	4	4
GS-16	9	9	9
GS/GM-15	41	41	41
GS/GM-14	50	50	50
GS/GM-13	75	80	80
GS-12	64	69	69
GS-11	61	66	66
GS-10	0	0	0
GS-09	50	55	55
GS-08	10	10	10
GS-07	46	51	51
GS-06	26	31	31
GS-05	53	55	55
GS-04	34	34	34
GS-03	5	5	5
GS-02	1	1	1
GS-01	0	0	0
Subtotal	529	561	561
Ungraded	-	-	-
Total Permanent Positions 1/	530	562	562
Unfilled Positions, End-of-Year	-10	-	-
Total Permanent Employment, End of Year	520	562	562
1/ Worker-Trainee Opportunity Program Positions included above	(-)	(-)	(-)
(Memo cmt: 16.8)	(Memo cmt: 4.8)	(Memo cmt: 4.8)	(Memo cmt: 4)

MONDAY, MARCH 5, 1990.

BUREAU OF LABOR STATISTICS

WITNESSES

JANET L. NORWOOD, COMMISSIONER OF LABOR STATISTICS

WILLIAM G. BARRON, DEPUTY COMMISSIONER FOR ADMINISTRATION AND INTERNAL OPERATIONS

DANIEL J. LACEY, ACTING CHIEF, DIVISION OF FINANCIAL PLANNING AND MANAGEMENT

GEORGE L. STELLUTO, ASSOCIATE COMMISSIONER FOR COMPENSATION AND WORKING CONDITIONS

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. At this time, we take up the budget request for the fiscal year 1991 for the Bureau of Labor Statistics.

We have before the committee Dr. Janet L. Norwood. Dr. Norwood, it's always a pleasure to have you before our committee. You have appeared here on one or two other occasions.

Ms. NORWOOD. Just a few.

Mr. NATCHER. How many times, Dr. Norwood?

Ms. NORWOOD. Twelve.

Mr. NATCHER. And we were delighted to have you on each of those occasions.

And before you give us your statement, tell us who you have with you there at the table.

Ms. NORWOOD. I would be delighted, Mr. Chairman.

On my far left is Dan Lacey, who handles our budget; and on my left is Bill Barron, who is our Deputy Commissioner in charge of administration. On my right is our Associate Commissioner for Compensation and Working Conditions, George Stelluto; and Mr. McMullen, who is the Department of Labor's budget officer.

Mr. NATCHER. We are delighted to have all of you ladies and gentlemen before the committee.

And now, Dr. Norwood, we would be pleased to hear from you.

OPENING STATEMENT

Ms. NORWOOD. Thank you very much.

I think that it would be wise for me just to summarize very briefly my statement, if that is all right with you, and submit the statement for the record.

As I am sure you are well aware, the demands for data that are placed upon the Bureau of Labor Statistics are becoming larger and larger.

And more important than that is that the use of data, I believe, is becoming far more important than ever before. In many ways, we have become a model, not just for others in this country, but also for the rest of the world.

And, in fact, we are being asked for assistance by those in Eastern Europe at the moment. On the other hand, we are living in a period of very severe budget constraint and have been for some time. And we have recognized that as we put our budget together.

The fiscal 1991 request for the Bureau of Labor Statistics provides for several very much needed improvements and provides really for a beginning of the initiative that was begun by Dr. Boskin, the Chairman of the Council of Economic Advisors, to provide—to begin to provide better data and more data in the fast growing services industry.

It also continues the redesign work that is multi-year that will continue onward to redesign the current population survey from which we get our unemployment data.

And we are pleased, also, that in the safety and health part of the Department of Labor budget, the OSHA budget, there are funds for the redesign of the statistical system. In our budget are the required positions for that.

We also are asking for restoration of the Gramm-Rudman reduction so that we can reinstitute many of the things that we were forced to delay that are important to the basic quality of our programs.

And we are in part balancing these increases with reductions in two other programs, the Standard Industrial Classification and Mass Layoff Statistics Program.

And we would be glad now to answer any questions.

[The information follows:]

Statement of Dr. Janet L. Norwood
Commissioner of Labor Statistics
before the
House Appropriations Subcommittee on
Labor, Health, and Human Services,
Education and Related Agencies
March 5, 1990

Mr. Chairman and Members of the Subcommittee:

I appreciate this opportunity to appear before you to discuss the Bureau of Labor Statistics Fiscal Year 1991 budget.

Mr. Chairman, I know from my many appearances before you that you and the members of the subcommittee are well aware of the complex nature of the issues facing our economy and of the crucial role which the Bureau's programs play in the formulation and evaluation of economic policy.

The FY 1991 budget request of $252.8 million represents an increase of $11.4 million over the post-sequester FY 1990 level. Of this increase, $10.8 million is for mandatory increases; that is the rising costs of doing business. Included in this category are items such as: increased costs for maintaining Federal/State cooperative programs, increased Census Bureau costs, Federal pay raises, the extra day of pay in FY 1991, and other similar items.

Annualizations of last year's program increases--for the redesign of the Current Population Survey and, in OSHA's budget, for the initial phase of the OSHS redesign--are also included in this category. The remaining increase of $.6 million in our request is actually the net effect of several program increases and decreases which I would like to briefly review with the Committee.

The budget also proposes funding in the amount of $4.3 million to effect the GSA plan to consolidate Bureau headquarters staff into a single national office site. Since Bureau staff is currently dispersed throughout four sites, this consolidation will greatly enhance the Bureau's operations. It will also allow the General Accounting Office to proceed with its own consolidation by vacating space which currently houses approximately 50 percent of the Bureau's national office population.

This continues to be, as we all know, a period of very tightly constrained budgets in which every on-going and additional need requires very careful and deliberate evaluation. There are, however, several areas where additional resources are necessary to allow for continued improvement to our statistical programs and thus to the formulation of sound economic policy by the Congress and the Administration.

First, as part of a government-wide effort initiated by the Chairman of the Council of Economic Advisors to enhance basic economic indicators, funds are requested to immediately improve the Bureau's employment, price, wage, and productivity data series with emphasis on currently uncovered components of the rapidly growing service sector. The $2 million and 19 FTE requested would allow for the publication of employment, hours, and earnings data for an additional thirty-five service sector industries as well as for improvements to that survey's preliminary estimates. In the Price programs, work would begin to extend Producer Price program coverage to the critical health services industry as well as expanding the transportation service coverage in the International Price program. The increase will also allow expansion of the Employment Cost Index for the nursing and personal care facilities industry while also improving the index's aggregate data. Finally, this initiative would allow for the introduction of two new productivity measures per year.

Also included in the request is $1.8 million to return the Bureau to the pre FY 1990 sequester level.

Lastly, we are proposing to fund the second phase of the redesign of the Occupational Safety and Health Statistics program which was initiated in the last budget. Included in this increase are resources to initiate an improved system for counting work place fatalities. As you know, this program is carried out on a reimbursable basis with the Occupational Safety and Health Administration. Hence, the dollar resources of $4 million are requested in OSHA's budget and the personnel resources of 13 FTE are requested in the Bureau's budget.

These program increases are offset by proposed program decreases totaling $7.5 million. The budget includes a proposal to eliminate the Mass Layoffs Statistics program, formerly called the Permanent Mass Layoffs and Plant Closings (PMLPC) program. The elimination of this program--which is not yet operational in all states--would decrease the Bureau's budget by $6 million and 14 FTE. Additonally, there is a program decrease of $1.5 million and 14 FTE for the planned phase out of SIC revision activities.

Mr. Chairman, in summary the FY 1991 budget request allows BLS to carry out its basic mission while remaining cognizant of the constraining fiscal environment.

Mr. Chairman, I am, of course, prepared to answer any questions which you may have.

Thank you.

Biographical Sketch

JANET L. NORWOOD

Commissioner

Bureau of Labor Statistics
Department of Labor

Janet L. Norwood was appointed for a third term as Commissioner of the Bureau of Labor Statistics by President Reagan in June 1987. Prior to her initial appointment as Commissioner in 1979, she had been Acting Commissioner for one year. Earlier she was Deputy Commissioner and Associate Commissioner for the Office of Data Analysis. She also served for several years as Chief of the Division of Consumer Prices and Price Indexes, Office of Prices and Living Conditions.

Dr. Norwood joined the Bureau as an economist in 1963 in the Office of Foreign Labor and Trade and in 1967 became manager of the international price comparison program. Prior to her entering the Federal service, Dr. Norwood taught at Wellesley College and was an economist at the William L. Clayton Center, Fletcher School of Law and Diplomacy.

Dr. Norwood received her B.S. from Douglas College, Rutgers University, and her M.A. and Ph.D. from the Fletcher School of Law and Diplomacy, Tufts University. She has received honorary LL.D. degrees from Florida International University and Carnegie-Mellon University and several awards for distinguished public service. She is the author of numerous articles on economic issues.

RESTORATION OF THE 1990 SEQUESTER

Mr. **Natcher**. Thank you, Ms. Norwood.

As you know, the Bureau incurred a 1990 sequester under Gramm-Rudman-Hollings of $1,827,000. What impact is that having on the agency's operation at this time?

Ms. **Norwood**. Mr. Chairman, what I have tried to do is to maintain the quality of the basic core of economic intelligence for which we are responsible; and therefore, what we tried to do was to delay many of the things that had been scheduled, some of the re-sampling, many of the specific improvements which really must be done.

We also delayed some of the contracting for this work. That work really must be done, and I am hopeful that you will see fit to restore it.

Mr. **Natcher**. Dr. Norwood, how did you manage to convince OMB to restore this sequester reduction in the 1991 budget? That took some doing, didn't it?

Ms. **Norwood**. Yes, it did.

Mr. **Natcher**. How did you do it, Dr. Norwood? Some of these other agencies would like to find out if it would help them.

Ms. **Norwood**. Well, Mr. Chairman, we are always extraordinarily well prepared, and we were able to show the department and OMB, and we hope you—that this is essential to the maintenance of the quality of the basic data that we have.

Our alternative is to cut samples in many of the basic statistical surveys, and that is something that I must tell you I lost a lot of sleep thinking about.

PAY RAISE

Mr. **Natcher**. How much is it costing you to absorb the Federal pay raise for 1990?

Mr. **Barron**. The 1990 pay raise, Mr. Chairman, absorption is approximately two-and-a-half million dollars.

Mr. **Natcher**. What steps are you taking now to absorb this?

Mr. **Barron**. Due to what we hope was good management, we were able to secure savings in a large computer contract. That contract has come in from the private sector with costs below what we used to pay, and we are using those savings to help finance the pay raise.

Mr. **Natcher**. How much will the proposed January 1991 Federal pay raise cost the Bureau in 1991?

Mr. **Barron**. In 1991, that pay raise will cost us approximately $2.4 million.

Mr. **Natcher**. How much of this is included in your budget request?

Mr. **Barron**. Half of that, Mr. Chairman, $1.2 million.

1991 BUDGET

Mr. **Natcher**. With the exception of the elimination of the mass layoff program, would you say that the Bureau fared right well in the 1991 budget process?

Ms. Norwood. Yes, Mr. Chairman. Of course, I always have ideas about a lot of things that could be done to improve the statistical programs, but I think we have been treated fairly.

Mr. Natcher. Are all of your so-called mandatory increases fully covered in this request, all of your mandatory increases?

Ms. Norwood. Yes, they are.

PROGRAM INCREASE

Mr. Natcher. You are asking for a $2,000,000 increase for the improvement of Federal economic indicators. Is this a government-wide project or just within your agency?

Ms. Norwood. There is a government-wide initiative which was started by Michael Boskin, Chairman of the Council of Economic Advisors, and which the President himself has been involved in.

There is an inter-agency committee. I represent the Department of Labor on that committee, and we have reviewed the whole statistical—the economic statistics, not the social statistics, but the economic statistics in the system, and the committee has established a set of priorities.

The President approved $4,000,000 for that set of priorities to begin the work. There will be more. You will be hearing more from that because the committee is continuing to work, and this is a multi-year system.

Of that four million, we were given two, and what we are doing with it is several things. Mainly to try to expand much needed data in the service producing sector, and we have work going on in the health industries, which trouble me a great deal because they are terribly important and we have very little information on them—in many of our major areas; and also to improve the first closing of the basic business survey, which is the employment data that we first report each month and which we discuss with the Joint Economic Committee of the Congress.

It's terribly important that we use new technology in order to get more reports into that first closing so that we can avōid further revisions, since it's that first closing which does have a tremendous effect on the financial markets and in economic decision-making.

We will also do work on hospital price index, on productivity measures and services, on expanding the employment cost index for nursing homes. And we think it's terribly important.

Mr. Natcher. Does it involve additional employees?

Ms. Norwood. Yes, it does.

Mr. Natcher. You say this is the first part of a long-range effort, Dr. Norwood?

Ms. Norwood. Yes, sir, I do.

Mr. Natcher. Will we see substantial increases in future budgets to continue this particular program?

Ms. Norwood. I would expect so. That will, of course, depend upon the priorities which are established by this inter-agency committee and on which the President will have to decide.

But it's anticipated that they will continue work, because it's felt, and I quite agree, that the statistical system really needs to have some resources so that it will be able to cope with the issues of the coming decade.

Mr. NATCHER. Mr. Conte, I yield to you.

Mr. CONTE. Thank you, Mr. Chairman.

Dr. Norwood, I join the chairman in welcoming you back to the committee. This is your twelfth appearance here.

Ms. NORWOOD. Yes. It's a pleasure to be here.

Mr. CONTE. Pardon?

Ms. NORWOOD. It's a pleasure to be here.

MASS LAYOFF STATISTICS PROGRAM

Mr. CONTE. I am pleased that someone wants to stick around.

Speaking of sticking around, Doctor, it looks like the issue of mass lay-off statistical program is still with us.

In fiscal year 1984 Congress directed the Bureau to create that program to gather data of closings and the impact closings have on workers.

Plants continue to shut down in Massachusetts and this program continues to garner our support, your proposal would eliminate a $6,000,000 offset.

Tell me what is your rationale of doing that.

Ms. NORWOOD. Well, I think the rationale is quite simple. We had budget restraints. We had to live within them, and we had to find some way to find $6,000,000.

It was quite clear to me that the alternative to the Mass Layoff Program was to invade the quality of our major indicators, like the price indexes, the employment cost index, some of our productivity data and our employment data, and I just could not do that.

The Mass Layoff program is one that, as you know, has had a rather tortuous history of funding and development. We have it now in place in 49 states, not in 50. We find that it's extremely useful in some states; and some states are using it very specifically; other states are not yet doing so.

And we do expect to maintain the special supplement to the Current Population Survey, which will give us a national view of similar data.

That is something that has been funded every other year by the Employment and Training Administration.

Mr. CONTE. Well, the need I think for MLO program isn't reduced because we now have a law that requires advanced notice of plant closings. The program is still needed to measure those impacts of the closings.

If this program is eliminated entirely, where are we going to get the data about plant closings?

Ms. NORWOOD. Well, one of the things that we are doing this year is working with developing with the states their particular needs, and we are planning to fund the development of a computer system so that any of the states which want to maintain this will be able to do so.

We will not, however, provide the funding for them to run that system and collect data. One of the things that has concerned us, as you, yourself, have pointed out by mentioning the checkered history of this program, is that if unemployment increases a great deal, there might be a need for more funding.

It's like the unemployment insurance program. As more people apply for Unemployment Insurance, the cost goes up. And that was something that concerned us, whether we would be able to maintain it.

Mr. CONTE. Do you have a program now in 50 states?

Ms. NORWOOD. Forty-nine and the District of Columbia.

Mr. CONTE. That is what I thought you said, 49.

Ms. NORWOOD. Yes, 49.

We have not been able to work out a satisfactory agreement in terms of funding with the State of California.

DATA FOR SUBSTATE AREAS

Mr. CONTE. The Bureau reproduces unemployment rates for states, counties, cities, and even for certain labor market areas. Why not collect data by congressional districts? Wouldn't that be more useful?

Ms. NORWOOD. For some uses, certainly. The difficulty is that we are often asked, for example, to provide data by school districts. There is a system in place where estimates are produced for metropolitan statistical areas, for states, and for counties—although as you know, in New England, the counties are a little bit different from elsewhere—and for the Nation as a whole.

It is certainly possible to do so, but it would be difficult because congressional districts, are often not coterminous with existing estimating areas.

And furthermore, the data aren't always as good as we would like them to be. The smaller the area, the more variance there is, the more error there is in the statistics, and sometimes that variance cannot be well understood by users. So you could get a number that, really, has a lot of errors surrounding it, and that could do a lot of damage in the congressional district.

CURRENT POPULATION SURVEY

Mr. CONTE. In Sar Levitan's recent report to the Joint Economic Committee, what recommendations did he make concerning the local area unemployment statistics program?

Ms. NORWOOD. Sar recommended, and his Commission recommended, that we expand the sample of the Current Population Survey to provide an estimate every month from the CPS for each of the states.

As a part of the current redesign program, we are investigating that possibility; it has been built into our plans for the next decade.

We are currently beginning testing on attempts to see whether we could collect the data a week later for the states, as distinct from the national data, because it would be much cheaper and easier to do so.

We expect to have a decision on that, in 1994. So that it could go into effect in 1996, and that would involve a near doubling of the sample.

We are working on the use of new technology, both computer assisted telephone interviewing and computer assisted personnel interviewing for the CPS.

That whole integration process, once we get that in place, should make it cheaper for us to do the expanded sample that the Levitan Commission recommended.

The alternative to that would be to have a very, very large increase in the sample sizes, which I think would not be very cost efficient.

IMPROVEMENT IN FEDERAL ECONOMIC INDICATORS

Mr. CONTE. Dr. Norwood, Mike Boskin, Chairman of the Council of Economic Advisors, says that we need to enhance our basic economic indicators. You responded to his request by requesting $2,000,000 and 19 new staff positions to bring about immediate improvement in our statistical measures.

To what extent will $2,000,000 help you answer Boskin's call for changes?

Ms. NORWOOD. It will start the way. It will certainly not complete the work. It's only a beginning.

There are really several stages of this. One is to try to do the kind of work which would make it possible for us to fill in the areas where there aren't enough data, services, for example. Some of those are very easy to do. But many of them are harder to do.

My personal view, is that one of the most important problems facing this country is the cost of health care, and yet when I look at the data system for which we at BLS are responsible, we have very little in the health care area.

Now, it's very easy to say well, let's go produce it. But in fact, there are some very difficult technical areas because the technology of health care is changing enormously, and it's very difficult to develop constant quality measures.

So we are beginning work; we will have an output price index for hospitals, which is, I think, very important to have. We do expect to do work on that and to be able to complete that.

We are going to have more wage and compensation data on nursing homes, which is a tremendously important area. We hope to do some work in addition to some of the very specific areas for which we can do productivity measures for services more easily. We expect to begin doing some work in the health care area as well in productivity.

FUTURE OF FEDERAL ECONOMIC INDICATORS

Mr. CONTE. You say $2,000,000 will get you started. How much of it will the whole thing cost, if you really do a thorough job?

Ms. NORWOOD. I really cannot tell you today. We are looking at that because Mr. Boskin has asked the same question; and we do plan to go to the Boskin working group with our estimates of what we think needs to be done, what it might possibly cost, and have them look at this across the whole government and decide what should be—what should be done.

Mr. CONTE. You can put more on the record on that.

Ms. NORWOOD. Yes.

[The information follows:]

FEDERAL ECONOMIC INDICATORS

To cover the service sector of the economy to the same degree that we produce data for the goods-producing sector would require a very large budget investment—an amount far beyond what the budget environment for the foreseeable future will produce. As some measure of size, the total current funding for the BLS Producer Price Index Program, a principle economic indicator, is about $15.7 million. These funds are used to provide coverage of the goods-producing sector. For the far larger service sector of the economy, current program coverage is extremely limited. Similar coverage problems exist in the BLS International Price Program, as well as in the case of employment, wage, and productivity data series.

Over the next several months we will be developing options to improve the Bureau's service sector coverage in each of these major areas. These plans will be considered by the Interagency Committee and evaluated in terms of cost, feasibility and budget priority. At present, the cost of a reasonable effort to improve the program coverage of the service sector cannot be estimated.

Mr. **CONTE**. I imagine we are talking big bucks.

Ms. **NORWOOD**. Yes, I think so.

Mr. **CONTE**. Two new productivity measures would be started each year on this initiative. What measures are you proposing for the next three years?

Ms. **NORWOOD**. Well, we expect, as I indicated, there are several different groups. Those for which the data are available and for which we can do things fairly easily, things like retail building materials and supply stores, wholesale trade and fruits and vegetables, which are quite important.

Then there is another group that is much harder that we want to start work on, and that is things in the finance, insurance and real estate area, life insurance and health insurance, the securities industry. We would like to develop, in addition to the labor productivity measures, multi-factor productivity measures because we believe that understanding the interaction of capital with labor and developing measures of capital productivity will give us a better fix on what is happening.

That is not a part of the Boskin initiative thus far. We hope to make it a part in the future.

CENSUS BUREAU

Mr. **CONTE**. One last question and my time is running out.

Some of the Bureau's data comes from surveys conducted by the Census Bureau. Your request is $300,000 for increased costs at the Census Bureau, as well as some money to cover 1990 pay raise, pay increase, and increased costs in contractual services.

What is the nature of contractual arrangement with the Census Bureau, and how much does that cost?

Mr. **BARRON**. If I may, Mr. Conte.

Mr. **CONTE**. Sure.

Mr. **BARRON**. We utilize the Census Bureau primarily in our employment and in our price programs to conduct several surveys, but three primary ones. One is that the Census Bureau does the current population survey for the Bureau. That is the survey that produces the unemployment rate for us every month.

They also do the consumer expenditure survey for the Bureau. That is the survey that provides information on what people spend for daily living; it's also a basic data source needed to produce weights for the consumer price index.

The other survey they do, major survey, is also related to the CPI. That is the point of purchase survey.

That is a survey of households to tell us where people buy things so that when we collect the data from the CPI, we go to the right type of retail outlet store, convenience store, what have you, we go to those places in the right proportions. So they do those three major surveys for us.

The total cost in 1991 will be $36.7 million for those surveys that the Census Bureau does for us.

CONTRACTUAL SERVICES

Mr. **CONTE**. Are there any other Federal agencies that you contract with?

Mr. **BARRON**. We have smaller contracts with National Institute of Health. That is a computer services contract. We do a little bit of work with the Customs Service in our international price program. They provide us with the basic sampling frame for exporters and importers.

We also have small contracts with the General Services Administration, which may get bigger as we proceed to move perhaps to a single location.

Ms. **NORWOOD**. But all the others are quite small. The Census Bureau takes a very large slice of our budget, and that is because they are the specialists in household survey work in the government because they use the census, the population census as the frame for the sample selection, and nobody else has it.

Mr. **CONTE**. Thank you, Mr. Chairman.

Mr. **NATCHER**. Yes.

Mr. Obey, I yield.

EASTERN EUROPE

Mr. **OBEY**. Thank you, Mr. Chairman.

Just two question, maybe three.

First of all, would you describe for us what you are doing with respect to the changes in Eastern Europe and the need that those governments have to develop statistical analysis which gives reliable data and understandable data?

Ms. **NORWOOD**. We are a part of the initiative that Secretary Dole announced recently in which the President has given responsibility to the Department of Labor—in relation to Poland and Hungary.

Basically in Poland, we are going to be working with the Central Statistical Office to help them develop and improve more realistic measures of consumer prices, producer prices, and export-import prices.

It's especially important, I think, as they begin to privatize businesses. There will be more and more prices that will not be established by the government itself.

On the other hand, it's important that they develop price indexes that capture actual transaction prices, which are somewhat different from the prices established by the government. We currently have a mission there. They left on Saturday, and they will be working with the CSO people there on price statistics, on quality measurement, that is maintaining constant quality, how you select samples, how you go out and do data collection from beginning to end.

We also have someone there who will be working with the Poles on how to be prepared to find out who is employed and who isn't. And as businesses begin to develop in the private sector to have the list prepared so that they can go out and survey them.

So they are particularly interested in how to survey small establishments, and we think we have some expertise there.

The next step with Poland will be to bring Polish statisticians here to the United States. We are planning a special seminar, which will have simultaneous translation in Polish and will be oriented towards some of the problems they have; and we have also anticipated that over the next three years there will be more exchange visits.

And that is paid for through the Secretary's funds that have been given to the Department of Labor.

In Hungary, we are doing a little less. We will be bringing some Hungarians to our seminars to learn about the way in which we put things together. The other element of BLS work in Eastern Europe involves the Soviet Union and there it's not clear where the work will lead.

I am to go to the Soviet Union on April 6; I have been invited by Mr. Kirichenko, who is the head of the statistical agency of the Soviet Union. And they seem to want me to discuss how they can improve their consumer price index.

They would like very much to do a comparison with the United States. They have been doing some work with the Census Bureau, and the Bureau of Economic Analysis has sent some people over to discuss national accounts with them.

I am concerned about comparisons; I think it's very important to see what data they have first and to be sure that we don't come out with some comparisons that are not really realistic.

So we will have to see how that goes. As I have said, the work for Poland and Hungary will be funded from the funds that have been given to the Department of Labor.

The other part of those funds will go to building a safety net in Poland and to some management and labor training in Poland and Hungary.

We have no funds for the Soviet Union, and I am very troubled about that because I am sure that is the next step that is going to occur.

In addition, we have also been asked by other Eastern European countries to come and to help them.

Mr. Obey. If you had more resources available, either through this committee or through an initiative from the foreign aid, a package that will be going through this place again, what do you think would be the most high priority items that you would be getting involved in or could get involved in with respect to both Eastern Europe and the Soviet Union if more resources were made available?

Ms. Norwood. Well, I believe that in the statistical area, the most important thing that they could do is to have a sensible system of the measurement of—especially consumer prices, but also producer and export-import prices, which means they have to have a system for free market or freer market establishment of those prices.

I think they are moving in that direction from everything that I have read. They have got to understand that a statistical system needs to be objective and needs to be separated from the evaluation of government policy. And I think we can help them with that.

I think we need to do some work on the employment and unemployment area because from everything I have read and the people I have discussed this issue with, I believe that there is clearly going to be a good deal of social hardship as they begin to withdraw subsidies. As they begin to establish businesses in the private sector, people are going to lose jobs, and we need to know how well off the people are.

And that involves consumer expenditure surveys. It involves some unemployment data and so on. We feel that we know how to do these things. Do we know how to do them in ways that would be helpful to them? That is something that we need to do a lot of thinking about.

And the other problem is that I find that all of these countries are very anxious to say well, we have got data, here it is, let's compare it with the United States and see how well off we are and you are.

And as you well know, if the definitions are different and the data are not very reliable, I don't think that is an approach to take.

But I think we need to do a good bit of thinking about how you do international comparisons of that type. One of the things I did last night was to read the description that was put out by the Bureau of Labor Statistics in 1942 when we revised the consumer price index to take account of shortages caused by World War II.

I thought well, that may be something that is similar to what may be going on and what may continue to go on in the Soviet Union.

But I know that was 40-odd years ago, and I don't think we would do anything in the same way. A lot of it was quite judgmental. So we have to figure out ways to help them.

On the other hand, many of them, all of these countries seem to have very well trained people, so they have got a core of capable statisticians and economists, and there are many things that we can help them to do in the short run.

And then I think there really needs to be a longer run program of helping them to establish a truly credible system that is sophisticated enough for the needs that they will have.

In the short run, I think we have to help them just to get some data that at least will give them a feeling about what is going on.

MASS LAYOFF STATISTICS PROGRAM

Mr. OBEY. The last question, Mr. Conte has already talked about the health of statistics problems, so I won't double up on questions here, I guess.

Let me just ask, you mentioned your elimination of the Mass Layoff Program. Well, let me just put it this way: What do we lose when we don't do a study of that type? What do we lose when we don't develop that information? Why would it be good for us to know what happens with people who wind up falling through the unemployment system?

Ms. NORWOOD. I think that there are two major roads of analysis. One is that if you know about people who are affected by plant close downs, you know where they are in the particular local area of the state that they exist in. The State Employment Security Agency can move in and some of them have to try to see whether they can help the people who have lost their jobs; maybe they need retraining, perhaps they just need help in knowing where to go.

In your own state they are beginning to use these data to try to look at how they might help the companies who are going under to perhaps bolster them in some way so they won't shut down.

On the other road there is a local need, and we are trying to build a computer system so that the states, if they should want to, without funding from us, would be able to continue the program.

On the other hand, there is more analysis, economic analysis that could be done, and that is really what kind of people these are.

What race they are, what age they are, what kind of background they have had, that is the information that we are getting. What kind of plants are closing down; that's there, too.

However, we do not have all 50 states in the program. We are still lacking California. And as I explained to Mr. Conte earlier, if the economy should turn down and more people become unemployed and therefore apply for unemployment insurance, the demand for funds from us would be larger than we would be able to fulfill.

So we are a bit concerned about that. We will continue the special supplement to the Current Population Survey, which comes out every other year, so we will have some idea of the numbers of people who are affected by lay-offs, but not in the detail that this program provides.

Mr. OBEY. To restore that costs what, six million?

Ms. NORWOOD. Six million, to restore it at the level of unemployment that exists now.

Mr. NATCHER. Mr. Dwyer, I yield.

Mr. DWYER. Thank you, Mr. Chairman.

The MLS program that you talk about closing down in your budget submission, did it also provide for some data on the impact on other local businesses? Are you in trouble over there?

Ms. NORWOOD. No. That is all right.

Mr. DWYER. Didn't it also supply some data on business closings and areas where there had been mass lay-offs?

Ms. NORWOOD. Yes, it does.

Mr. DWYER. What is going to happen?

Ms. NORWOOD. That is what will fall through the cracks, unless the individual states decide that since the computer system is set up and they know how to do it, that they will continue it.

Mr. DWYER. The individual states could decide to do everything and——

Ms. NORWOOD. There will not be Federal funding for them; that is correct.

Mr. **Dwyer**. There will be nobody sitting at the table, but they all have the same problem and that is with the funds.

This program also deals with mass lay-offs, not necessarily just plant closings; am I correct?

Ms. **Norwood**. What we did was originally to define the plants that would be included in the program as those with 50 or more initial claimants from the same individual local plant.

We then found that some states who don't have very large establishments didn't like that. They felt that it would be more useful to them if that cutoff were reduced, and we have been discussing with the states whether it should be at 30 or 35 or 50, depending upon the state and depending upon the funding that is available.

Mr. **Dwyer**. Well, how about in the case of an automobile plant? Will they absolutely——

Ms. **Norwood**. That is pretty large.

Mr. **Dwyer**. I know that. That's why I am asking the question. They eliminate a shift, laying off 2,000 people. The plant goes back to a 40-hour week; and as far into the future as you can see, it's going to remain that way.

That is a mass lay-off, and that is going to affect a lot of small business operations close to this plant.

Now, isn't that type of information going to fall through the cracks?

Ms. **Norwood**. That is true, except, of course, that there is the law that has been passed recently on notification that requires the employer to notify employees, so the employees will be notified and we would expect that probably the state people, the local employment offices would also know about it.

But you are quite right, it's not in a statistical sense, there will not be data of this kind.

And our problem, as I indicated earlier, and the problem for the Department was that we have limited funds. And the choice for us was to reduce the samples, the number of cities in the consumer price index or something of that sort, which I felt, we could not do.

Mr. **Dwyer**. But actually, the program itself is—costs $6,000,000 a year, approximately.

Ms. **Norwood**. Yes, that is right.

Mr. **Dwyer**. And you are asking for your Gramm-Rudman restoration; that is a million?

Ms. **Norwood**. Well, that is essential.

Mr. **Dwyer**. I understand that. But I mean that was a pretty good swap-off. I was wondering about your chairman's question about how you arranged for a restoration of your sequester. Well, it was a pretty good swap made actually.

Ms. **Norwood**. Well, it really didn't happen that way.

Mr. **Dwyer**. If a person knows their numbers and sums, they could come to that conclusion.

Ms. **Norwood**. Well, I just have to tell you that I struggled with this, as everyone at this table knows. My feeling was that our primary responsibility is to preserve our basic data.

Mr. **Dwyer**. Of course.

Thank you very kindly.

Ms. **Norwood**. Thank you.

Mr. **Dwyer**. Thank you, Mr. Chairman.

STATE OF THE ART TECHNOLOGY

Mr. NATCHER. Now, Dr. Norwood, in your opinion, how adequate is the Bureau's information processing system and computer equipment; and tell us, if you will, are you keeping up with the state of the art technology?

Ms. NORWOOD. I believe that we are keeping up the state of the art in most areas. We are also ahead in some areas.

I think our system of using outside computer centers rather than trying to have the whole main frame computer with BLS has been a sensible one. I think it has saved us a good deal of money and given us great efficiency.

I do have to tell you that I am very concerned about some areas. In particular, our whole basic labstat information system is based on the technology of ten years ago. There are some programs within the Bureau, Mr. Stelluto's program in the wage area where we have done a lot of those systems, but they haven't really had the kind of redesign, overall redesign that our price programs have had.

We are hoping that as a part of redesign of the Current Population Survey, there will be a new joint system developed between the Bureau of the Census and the Bureau of Labor Statistics to improve and modernize that system.

This is also a problem that we are faced with, and if I may say so, Mr. Chairman, it's almost impossible, I find, to get the funds and the positions that are really necessary to do the work at the front end so that later on you may some years later, be able to save money because of efficiency.

We have done reasonably well in this area, but there is much more to be done.

ADP COST

Mr. NATCHER. How much will you spend in 1990 and 1991 on computer equipment and data processing, overall, Dr. Norwood?

Ms. NORWOOD. Mr. Barron will have that number, I am sure.

Mr. BARRON. In terms of purchases of equipment, Mr. Chairman, we will spend $1.8 million.

I am sorry, sir, I forgot the second part of your question.

Mr. NATCHER. The second part is on the data processing overall.

Mr. BARRON. $1.8 million on the equipment, and data processing will be $8.1 million.

CONSOLIDATION OF NATIONAL OFFICE STAFF

Mr. NATCHER. You are planning to move your headquarters to a new location here in the District?

Ms. NORWOOD. Yes.

Mr. NATCHER. Dr. Norwood, tell us again why this is necessary and what the advantages are to the Bureau.

Ms. NORWOOD. Mr. Chairman, when I became commissioner in 1979, I went to GSA and told them that we had to do something about the space for BLS.

We have had discussions with them for the last 10 years, and I am very pleased that we finally seem to be bringing that to some action.

We are now currently located in four different buildings. Many of us are in the GAO building. The GAO has a need; it's staff is increasing, and it has indicated that it wants us out of that building.

We have staff in a building a few blocks away from us, and every time I want to see the head of our Price Office or anyone in our Price Office, he has to come several blocks.

The result is it's very difficult to manage effectively in that kind of an environment. I worry very much about the security of the confidential data we have, which has to be carried around on the streets.

We are, of course, trying to develop electronic approaches to that, but it's just a very inefficient, ineffective, and quite demoralizing system because we are in four different buildings.

I am pleased that we now finally have gotten the attention of GSA, and they are planning to put us in a spot that I think will be very useful for us because so much of our work involves contact with the Congress and congressional staff. And it will be near the Congress.

Mr. NATCHER. Yes.

What will this move cost the Bureau? Have you figured it out?

Mr. LACEY. The total cost over two years, Mr. Chairman, will be about $11.8 million.

Mr. NATCHER. All right.

Will there be a further request in the 1992 budget?

Ms. NORWOOD. Yes, there will.

Mr. NATCHER. How much of the cost will be borne by the General Services Administration?

Mr. LACEY. I don't have an exact answer for that, Mr. Chairman. It far surpasses what we have requested in the budget. It's probably ten fold what we have requested in the budget, but we would be glad to get that, for the record.

Mr. NATCHER. If you will place that in the record for us, we would appreciate it.

[The information follows:]

CONSOLIDATED SITE

The BLS budget request is for $4.3 million in FY 1991 and estimated to be $7.5 million in FY 1992.

GSA will spend approximately $48 million to prepare the building for occupancy. Of this amount, $38 million is for BLS space and $10 million is associated with the Senate Computer Center (Architect of the Capitol). The costs relating to BLS will be amortized over the course of the 30-year lease by GSA. Therefore, this will increase the cost of future space rent.

Mr. NATCHER. When will the move be completed?

Ms. NORWOOD. 1992.

Mr. NATCHER. For the record, if you will, provide additional details on how the financial estimates for this project were calculated.

Ms. NORWOOD. We would be glad to.

[The information follows:]

CONSOLIDATED SITE

	Fiscal year 1991	Fiscal year 1992
Telecommunications	997,000	1,303,000
Local area network	389,000	1,303,000
Central equipment and facilities purchases	100,000	1,155,000
Security and safety	157,000	60,000
Employee work stations	2,666,000	3,429,000
Physical move	0	250,000
Total	[1] 4,309,000	[1] 7,500,000

[1] Costs for managing and operating the consolidated site are not included in these estimates because the decision on whether this responsibility will be given to GSA or BLS has not been made.

Note.—FTE is ZERO for all years.

CURRENT POPULATION SURVEY

Mr. Natcher. What is the status of the current population survey redesign project?

Ms. Norwood. That is going along well, Mr. Chairman. We did have some difficulties because, as you know, the budget for that is divided between the Census Bureau and the Bureau of Labor Statistics, and the Census Bureau did not get from the Congress, it got through the Administration, but did not get from the Congress the money that they needed in fiscal year 1990.

We did, however, work with them to convince them that this was a top priority item, and they have managed to rearrange their funds with approval of the Congress so that work is underway.

We are currently in a test phase where we are in particular working hard on the redesign of the questionnaire itself. We have been concerned for some time that, while we do a very good job of testing questionnaires in the field, that is very expensive.

And we recently were able to establish a small laboratory in BLS. We have an interdisciplinary staff now. We have a linguist. We have some sociologists and psychologists, as well as statisticians and economists; and we are trying to look at the questions that are asked, the words that are asked to be sure that, when we bring people into the laboratory, that they understand what it is we think those questions mean.

We expect to make final decisions by the beginning of calendar 1992 on that questionnaire content, and then there will have to be an overlap sample.

In addition, we are looking at working with the Census Bureau on improvements in coverage and in the design of a new computer system, and, as we discussed with Mr. Conte before, we are looking at the expansion of the CPS in order to provide state data for each state on a monthly basis.

One additional point is that I believe that an understanding of the labor market requires really much more longitudinal data than we have had before. We need to know more how the duration of unemployment changes over time.

We need to know what happens to people when they go from one labor force status into another, for example, unemployment to out of the labor force or to employment. We believe that we can make use of the capability that is already there, we will be coming to you with a request to have a special small survey running alongside of the regular CPS in order to get longitudinal data.

OCCUPATIONAL SAFETY AND HEALTH STATISTICS PROGRAM

Mr. NATCHER. Now, Dr. Norwood, on page 16 you indicate that you are requesting an increase in employees for the redesign of the safety and health statistics program. How much of an increase are you requesting, and where do you show this in the budget justifications, Dr. Norwood?

Mr. BARRON. The justification for that, Mr. Chairman, is in the budget submission of the Occupational Safety and Health Administration.

We are asking for a total of $4 million and 13 FTE.

Mr. NATCHER. What page is that on? Have you got that page right there?

Mr. BARRON. For the safety and health?

Mr. NATCHER. Yes. What about that, Jim? What page is that on?

Mr. McMULLEN. One second.

You will find that on page 30 of the OSHA section, Mr. Chairman.

Mr. NATCHER. All right. Just so that we have it.

Now, what kind of progress are you making in this area?

Mr. STELLUTO. Mr. Chairman, this is our second year of testing for the redesign of the Occupational Safety and Health Statistics program. We are, of course, trying to find out more information about what is happening with work place injuries and illnesses, who is becoming injured or becoming ill, what is their age, their sex, occupation, their experience, what happened to them, what part of the body was affected by an injury, what type of illnesses were they involved with, was it a fall, a tool, an explosion, exposure, all of these types of details are requiring us to do substantial testing.

We started testing in 1989, and we continue in 1990 and will continue into 1991 to test in the establishments, if we can get hold of these type of details so that we can shed more light on what is going on in the work place with regard to occupational safety and health.

In addition to that, we are planning to initiate two tests this year on occupational fatalities; that is part of the 1990 effort.

And then in 1991, we are requesting additional funds to expand the fatality effort to about nine states in 1991, and then to the 50 states in 1992.

Some other activities that we are involved in is the revision of the guidelines that employers use to report occupational injuries and illness at the work place, as well as the logs on which those data are reported.

We are particularly concerned for intermediate and small employers, that they fully understand their obligations under the law for reporting these, and we are subjecting our revised guidelines to some cognitive tests to see whether or not the audience that we are targeting fully understands what we are expecting of them.

CONSOLIDATION OF BLS STAFF

Mr. **Natcher**. Mr. Conte, I yield.

Mr. **Conte**. Dr. Norwood, you mentioned to the Chairman that we are consolidating four different sites into one. That makes a lot of sense.

Ms. **Norwood**. That is right.

Mr. **Conte**. I notice by your resume that you had the good sense to start out in Massachusetts, Tufts College and Fletcher School.

Ms. **Norwood**. That is right, and my husband is from Boston. So I did it all right.

Mr. **Conte**. Which leads me to the question, you are familiar with the state. I imagine you are familiar with my lovely district, the Boston Symphony Orchestra, the great colleges, Williams College, all that. Do you ever think of moving up there?

Ms. **Norwood**. I sure have.

Mr. **Conte**. I am talking about your agency. We would love to have you. Why do you have to be in Washington?

Ms. **Norwood**. Mainly because, frankly, we testify so often before the Congress that you would have to increase our budget funds enormously. Apart from that, we do a great deal of work for the Congress and for the other agencies of government and we have to be here with them.

So it just would not work. We have considered it. Because I agree with you, I would like very much to be in New England. As my staff knows, every summer I get to be very difficult, all the time that I have to spend in Washington.

Mr. **Conte**. I am pleased to hear you say that. I know that if you did move up there with your agency, Chairman Natcher and I would just love to go up there and hold the hearings.

Ms. **Norwood**. If you can convince all your colleagues to do the same thing, it would be helpful.

STAFFING

Mr. **Conte**. Dr. Norwood, do you have space to rent? In 1989 you had 105 unfilled positions within the Bureau. You are projecting that you will have 73 unfilled positions this year and again next year. What is going on here? Are you having difficulty attracting good people to fill the vacancies?

Ms. **Norwood**. Let me ask Mr. Barron to give you the specifics of that, then I will tell you what we are doing to attract people.

Mr. **Barron**. Those reflect the standard lapse rate built in by our agency, the difference between lapse rate and ceiling. I think within that ceiling we will have the kind of difficulties your question alluded to. We have a turnover rate that is high, about 15 percent for 1989. It is a real continuing treadmill of trying to staff.

It seems to affect all of our occupations. The secretarial, clerical, all the way up to PhD economists and statisticians. We keep working on it.

Ms. **Norwood**. I think we have succeeded better than most others. We expect that some of the new things we are trying will permit us to fill the positions that we have under way, particularly since the Congress has taken some action to increase the salary ceilings.

What we have done is made a very real effort to go out to universities. I maintain a lot of contacts, I spend a lot of time trying to get chairmen of the economic department, the statistics department, the computer science departments to recommend their best people to us. We have found now that the market for these people is so good outside of government, because we require a great deal of skill and training, that we are now sending whole groups of the substantive people out to do the recruiting.

So that a person coming in for an interview in a university or an area where we have sent a team will be talking to his own peer, someone who will be doing the kind of work he is, so he will be able to see that. That is expensive to do because you would normally have one person from the personnel office going out there with an assistant perhaps. We found we can no longer recruit that way. We cannot touch computer science people. So we are bringing them in and giving them a lot of training.

We have found that we get a lot of very bright young people, they stay with us for several years until they learn a lot from us, and then they go to graduate school or go and double their salaries. We are having a great deal of difficulty with the middle grade level of young, bright PhD economists and statisticians, but we are no different from any other agency that is hiring that caliber of person. The difficulty is that we refuse to settle for mediocrity.

Mr. CONTE. I agree with you. We have the same problem up here. It is tough to keep professional staff, good ones. They stay so long and then they go to greener pastures. I hope with the pay raise that went into effect in January and the next pay raise that will go in next year that it will help you and some of the other agencies that have been suffering, because you need a certain type of expertise that everybody else is also out there looking for.

Ms. NORWOOD. I believe that it will. I am serving on the National Academy of Sciences Committee on Scientists and Engineers in the Federal Government. I am well aware of the difficulties with the scientists and the people we hire. We are looking at that to see what there is that we could do to make the whole personnel system more flexible. But it is a losing proposition. It it really a worry.

Mr. CONTE. It is tough. It is tough. You are spinning your wheels all the time.

Ms. NORWOOD. Yes.

ADVISORY AND ASSISTANCE SERVICES

Mr. CONTE. You are not requesting any money for the Advisory and Assistance Services. Have you considered contracting with outside experts to fill this personnel void?

Mr. BARRON. Well, we don't have anything in that specific category, Mr. Conte, but we do within object class 25, the contractual services. We do a high level of contracting out, particularly in the computer area. We examine, I think, every year our recruitment vis-a-vis what we can procure via contracts.

It gets to be a tough call sometimes, particularly in work that requires conceptual and design work. It almost has to be done in-house. Then we try to take pieces of it and contract that out. I think right now we are at a sort of delicate balance. If you go too far you are giving away your watch so somebody else tells you what time it is.

Ms. NORWOOD. Mr. Barron and I worked on the 1978 revision of the Consumer Price Index and we learned then how not to waste money that way. We keep looking at it but we want to be very careful with how we spend the Federal Government's money.

MANDATORY INCREASE

Mr. CONTE. Very good.

You requested the $340,000 increase for one extra day's pay in fiscal year 1991. Can you tell me what is going on here? Is 1991 a leap year?

Ms. NORWOOD. No, it is not.

Mr. LACEY. In 1991, Mr. Conte, we have 261 days of pay versus the 260 that are in 1990. That requires the $340,000. It is a function, really, of federal pay periods not coinciding with the beginning of the year.

CURRENT POPULATION SURVEY REDESIGN

Mr. CONTE. Dr. Norwood, for the first time in 40 years you are in the process of redesigning your current population survey, and things have changed a lot since that survey started. What are you doing to make sure the revised survey will be easily understood by the people you sample?

Ms. NORWOOD. We have made some minor changes in 1967, but there has not been a major change, you are quite right about that, in a very long time. What we are doing is reviewing that entire questionnaire.

Let me explain a little bit. It is quite fascinating. I mentioned before that we have set up a collection procedures laboratory. We are very grateful to this committee for having permitted us to do that.

What we are doing is bringing into this laboratory groups of unemployed people. We are administering the questionnaire to them and then our skilled psychologists are sitting down with them to find out how they thought about these questions.

For example, to be unemployed it is extremely important that the individual says that he or she has searched for work. What does job search mean? Is it enough to pick up the newspaper and look at it? Do you ask your father or do you really have to go out and do something?

We have found that the survey designers have decided what these questions mean, but, when they go out to the people, the people sometimes misinterpret them. We are looking at what a job means, because some people have a different view of what a job is or a business is. When you get to unpaid family workers who are also a part of the survey, it is very important that they grasp the concept of what it is we are looking for.

We are looking into the whole concept of layoffs in that survey. When we have a lot of automobile companies that are laying people off, we need to be sure that those laid off are going to be called back to work, because they don't have to meet the job search test that we have established for the survey, all others must meet that test.

So there are a number of areas there. What we are planning to do and what we are in the process of doing, and we are well along with this, is to redesign that questionnaire. We are going to have two of them and then go out into the field and test them. The important difference from what we have done in the past is that we have done a great deal of testing in the laboratory before going out to the field. When you go out to the field, you spend a lot of money. There is no way to do field collection work without spending a good bit of money.

By pulling much of this into the laboratory and by the way we are sending our laboratory on the road too, because we find people are different in different parts of the country and they have different ideas about what words mean, we think we will be able to have a better instrument and one that will, in the final analysis, be somewhat cheaper to construct. We plan to have an overlap survey so that we will know what the differences are. If we come out with an unemployment rate that is changed, we want to be sure it is not because we have changed the questions.

So there is a plan for an overlap as part of this whole redesign. We expect to have the new questionnaire in the field in, I think, 1994.

Mr. NATCHER. Dr. Norwood, we want to thank you and your associates for appearing before our committee at this time in behalf of your budget request for the fiscal year 1991. This has been a good hearing. Thank you very much.

Ms. NORWOOD. Thank you very much. We always appreciate your interest, Mr. Natcher.

[The following questions were submitted to be answered for the record and the justifications follow:]

ELIMINATION OF THE MASS LAYOFFS PROGRAM

Mr. Natcher: As you mentioned, you're proposing to eliminate the Mass Layoffs Program in 1991, a total of $6,050,000 and 14 FTE's. How many States is this program now operating in?

Dr. Norwood: The program is operating in 49 States and the District of Columbia. Only California and Puerto Rico are not actively engaged in the program.

Mr. Natcher: The justification on page 25 states that a complete review of the program was conducted in 1989. Did the review of the program indicate that the program should be eliminated?

Dr. Norwood: No. The program review was conducted five years after the program was initially designed, the intent being to evaluate that design and consider improvements to enhance the collection and use of mass layoff statistics as an economic series and a fund allocator. Elimination of the program was not in the scope of the review.

Mr. Natcher: Do you believe that the States will pick up the program if the Federal government drops it?

Dr. Norwood: Some States may do so. While the BLS intends to complete development of a computer system in FY 1992 for State use, States will be required to find their own funding source to operate the program and collect data.

Mr. Natcher: Is the data from this program used as part of the allocation formula under title III of the Job Training Partnership Act (JTPA)?

Dr. Norwood: Not at the Federal level. Section 302 of the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) which amends title III of JTPA, specifies Mass Layoff Statistics (MLS) data be used as part of the allocation formula to States "as soon as satisfactory data are available...," and encourages its use in substate allocations. We know that some States are currently using the MLS data for their allocations.

Mr. Natcher: Is this proposal just a matter of making an arbitrary reduction somewhere in your budget, Dr. Norwood?

Dr. Norwood: In the current period of budget constraint, it became necessary for the BLS to eliminate the Mass Layoff Statistics Program in order to reach the level of resources included in the FY 1991 budget, without affecting the quality of our major core programs which provide the economic intelligence to monitor the economy.

LABOR MARKET INFORMATION PROGRAMS

Mr. Natcher: What percentage increase have you budgeted generally for the Federal-State cooperative programs?

Dr. Norwood: For FY 1991 we requested a mandatory increase of 4.2%.

Mr. Natcher: How much of your budget is related to these programs?

Dr. Norwood: In FY 1991 $61.5 million or 24 percent of the BLS budget is related to Federal State Cooperative Programs.

CURRENT POPULATION SURVEY

Mr. Conte: Dr. Norwood, CPS currently has some longitudinal capabilities. What new types of longitudinal data are you going to gain from the revised survey?

Dr. Norwood: The current CPS obtains information from households for four consecutive months, does not survey them for the next eight months, then surveys them for four more months. This design permits a cross-sectional snapshot of labor market activity, but does not provide for accurate estimates of longitudinal characteristics of the labor market. Beginning in 1995, we are proposing that a separate longitudinal panel survey be introduced that would survey all individuals in a household for 24 consecutive months, even if the individual moves. The new survey would follow individuals as they move between labor force states, resulting in more accurate estimates of occupational mobility patterns, gross flows data, and the frequency and duration of periods spent unemployed and out of the labor force--especially for disadvantaged groups in our society.

Mr. Conte: The CPS currently draws survey data for 11 states each month. Last year we talked about expanding that process so data could be collected for all the states. What has your research shown about the costs and effectiveness of making the changes necessary to obtain 50 state data?

Dr. Norwood: The CPS currently is designed to produce monthly estimates of the unemployment rate for 11 states with a coefficient of variation of less than 8%. The current design also includes households from the remaining 40 states, but is designed to produce reliable estimates on an annual average basis for these states. The new design--which is now being researched and which may result in a proposal to expand the CPS beginning in 1996--would produce monthly estimates of the unemployment rate for all states, with a coefficient of variation of less than 10%. The 11 states will maintain their current level of reliability, as will national estimates. Such an expansion would increase the CPS sample size to 110,000 households, from the current 60,000. Total annual cost for the 110,000 household sample will be between $31 and $35 million annually, and thus represents an incremental cost of $10 to $14 million above the current CPS.

CLASSIFICATION CODES

Mr. Conte: Over the years there have been many changes in the type of work that folks do. Every year many new types businesses are created. What are you doing to keep the standard industrial classification system relevant?

Dr. Norwood: The 1987 SIC Manual reflects the most current classification system used in the United States to define industries in accordance with the composition and structure of the economy. In fiscal year 1989 the BLS converted the classification of approximately 5.8 million establishments from the prior 1972 SIC system to the 1987 SIC system.

The SIC system is kept relevant through revisions to the SIC Manual. These revisions are initiated by the Office of Management and Budget (OMB) and are carried out by the Technical Committee on Industrial Classification (TCIC) which is composed of representatives from the various government agencies who use the SIC system. Special subcommittees of the TCIC study the structural changes occurring in the American economy and make recommendations for adding, deleting, or modifying the coding system. Between SIC revisions BLS works very closely with OMB and other Federal statistical agencies in resolving SIC coding issues that result from emerging industries, changing technological developments, and introduction of new materials.

Mr. Conte: What affect will the $1.5 reduction in the SIC revision have on your efforts to keep the classifications relevant?

Dr. Norwood: The $1.5 million reduction in the SIC revision area reflects the completion of implementing the 1987 SIC coding system in the Occupational Safety and Health Statistics and Current Employment Statistics programs. The next update or revision of the SIC system is scheduled for 1997. As in the past, OMB will chair a government-wide effort to evaluate the changes required to keep the government's industry classification structure relevant to changes in the economy. When this effort occurs, BLS will examine the impact such future changes will have on BLS programs. While funds will be needed to address these changes when they occur, the reduction proposed in the FY 1991 budget pertains to completion of the 1987 SIC Revision activities which are being phased out during FY 1990.

SERVICE SECTOR PRODUCTIVITY

Mr. Porter: During the last several years, BLS has focused increasingly on the service sector. Please describe briefly the improvements you made in FY 1989 and FY 1990 in measuring service sector productivity.

Dr. Norwood: In FY 1989 output per hour measures were completed for retail auto and home supply stores, and the wholesale trade of scrap and waste materials. Additionally, developmental work was initiated in FY 1989 for a labor productivity measure for offices of physicians and a multifactor productivity measure for railroads. The developmental work continues in FY 1990.

Mr. Porter: Specifically, what improvements have been made in measuring wholesale trade and state/local government productivity?

Dr. Norwood: The Bureau developed a productivity measure for the wholesale trade of scrap and waste materials in FY 1989. There is a planned expansion of coverage in this sector with the FY 1991 Improvement in Federal Economic Indicators funds. Measures are planned for the wholesale trade of alcoholic beverages and of fresh fruits and vegetables.

The Bureau's coverage for State and local government is currently limited to electric power, sales of alcoholic beverages, and unemployment insurance service. Measures have been developed for mass transit and state prisons and are currently undergoing review. The conceptual and data problems for most State and local government functions, particularly education, are severe and have to be resolved before adequate measures can be derived.

Mr. Porter: What percentage of employment in these industries are covered by BLS measures?

Dr. Norwood: Wholesale trade of scrap and waste materials represents about 2% of the employees in wholesale trade. The successful development of the measures for the wholesale trade of alcoholic beverages and of fresh fruits and vegetables would expand the employee coverage to about 6% in this sector.

The Bureau's current coverage for State and local government represents about 1% of the employees in this sector. The measures for mass transit and state prisons will extend the coverage to about 4% of the employees in the sector.

INFORMATION TECHNOLOGY AND PRODUCTIVITY

Mr. Porter: Information technology has expanded dramatically in the past decade. American businesses have made great improvements in both their qualitative and quantitative information processing capabilities. Ultimately, these new capabilities should result in productivity and competitiveness gains. However, some observers contend that businesses are not using information technologies effectively. Does BLS measure the effect of information technology investment on productivity?

Dr. Norwood: No, BLS does not presently measure the effects of information technology investment on productivity. However, in a joint project between BLS and professors Bernt and Wood at the Massachusetts Institute of Technology, we are attempting to develop such measures within the manufacturing sector.

There are, of course, many sources of productivity change and they are complex and interrelated. We have put together an extensive data base on these investments and we are planning some econometric modelling work. We are hopeful that we will identify relationships which would support subsequent measures of these effects. By the end of this year, we hope to have a good idea about the extent to which the effect of information technology can be measured.

Mr. Porter: If so, what do the measures show about businesses' ability to use information technology effectively?

Dr. Norwood: Even if the joint project just described is fruitful, we do not expect to be able to determine whether businesses are using information technology effectively. There are some econometricians who have developed techniques to identify inefficiencies in production, and this type of question might lead to good hypotheses for testing with these techniques. However, the results of these techniques are too qualified and too tentative to be compatible with our measurement program.

Mr. Porter: Do we need to improve our measures in this area?

Dr. Norwood: Yes, a better understanding of the effect of information technology on productivity is important. We are trying through the joint project described above to develop defensible measures in this area.

Mr. Porter: Last year you told me about a study to determine the effect of expenditures for computer-related resources on productivity in various manufacturing industries. What is the status of this study? What do your preliminary reviews suggest about investments in computer technology?

Dr. Norwood: The study BLS discussed last year is the same one mentioned above. At present we have assembled most of the data we will need to study relationships between information technology investment and other determinants of productivity change. We have not concluded our work on defining appropriate models and estimating statistical relationships, however, so we are not yet in a position to draw any conclusions.

SERVICE SECTOR PRODUCTIVITY

Mr. Porter: Last year I asked about service sector productivity. BLS responded that 37 industries and 45% of service sector employment were covered by BLS measures. In your budget justification you list several proposals to improve service sector productivity measurement. Assuming your FY 91 budget request is approved, on how many new industries will you be able to provide data?

Dr. Norwood: The Bureau currently has 39 productivity measures covering service industries in the private sector. These measures represent about 46% of the employees, or 36% of both employees and self employed, in the non-goods producing industries. Additionally, the Bureau publishes measures for 28 functional activities within the Federal civilian government representing about 2 million employees or 69% of the employment in that sector. The data for the Federal government are supplemented by several measures for State and local government activities.

If the FY 1991 request for Improvement in Federal Economic Indicators is approved, we plan to increase the rate of introduction of new service sector industries by two per year. Examples of such measures are wholesale trade of alcoholic beverages, wholesale trade of fresh fruits and vegetables, and retail building materials and supply stores.

Mr. Porter: Briefly describe your proposals to improve health services productivity measurement.

Dr. Norwood: The Bureau has developed an experimental measure for hospitals which is currently undergoing extensive review both within the Bureau and by industry experts. As you probably know, the concepts for measuring productivity in this area are not well established and much developmental work has gone into this measure.

The Bureau is also working on developing a measure for offices of physicians which is scheduled for completion in FY 1990.

JUSTIFICATION OF THE BUDGET ESTIMATES

BUREAU OF LABOR STATISTICS
SALARIES AND EXPENSES

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BUREAU OF LABOR STATISTICS

SALARIES AND EXPENSES

For necessary expenses for the Bureau of Labor Statistics, including advances or reimbursements to State, Federal, and local agencies and their employees for services rendered, [$193,771,000], *$205,084,000*, together with not to exceed [$49,518,000] *$47,700,000*, which may be expended from the Employment Security Administration account in the Unemployment Trust Fund (29 U.S.C. 1-96, 181; Department of Labor Appropriations Act 1990).

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	AMOUNT
Appropriation.......	2,173	$188,114,000	2,203	$193,771,000	2,196	$205,084,000
Reduction Pursuant to P.L. 99-177			---	-1,186,000		
A. Subtotal, Appropriation	2,173	188,114,000	2,203	192,585,000	2,196	205,084,000
Comparative Transfer to: ASP for IRCA		-778,000				
DOL Academy and DOL Fitness Center	-2		-2			
Comparative Transfer from: Departmental Management		237,000				
Ceiling adjustment for Office of Public Affairs	-2	-124,000	-2	-128,000		
Subtotal, Appropriation (adjusted)....	2,169	187,449,000	2,199	192,457,000	2,196	205,084,000
Collections from: Unemployment Trust Fund.............	---	45,767,000	---	48,877,000 1/	---	47,700,000
B. Total Available Budget Authority..	2,169	$233,216,000	2,199	$241,334,000	2,196	$252,784,000
Other unobligated balances, start or end of year....	---	640,000	---	720,000	---	---
C. Total estimated obligations.....	2,169	$233,856,000	2,199	$242,054,000	2,196	$252,784,000

1/ The amount from the Unemployment Trust Fund shown here for 1990 reflects a $641,000 reduction pursuant to P.L. 99-177.

SUMMARY OF CHANCES

	1990	1991	Net Change
Budget Authority:			
General Funds....................	$192,457,000	$205,084,000	$12,627,000
Trust Funds......................	48,877,000	47,700,000	-1,177,000
Total............................	$241,334,000	$252,784,000	$11,450,000
Full-Time Equivalent:			
General Funds....................	2,199	2,196	-3
Trust Funds......................	---	---	---
Total............................	2,199	2,196	-3

	Trust Funds		General Funds		Total	
Explanation of Change:	FTE	Amount	FTE	Amount	FTE	Amount
Increases:						
A. Built-In:						
To provide for net cost of within grade increases and merit pay fund in FY 1991.....	---	---	---	$890,000	---	$890,000
To provide for increased funding related to one extra day of pay in FY 1991.........	---	---	---	340,000	---	340,000
To provide for annualization of January 1990 pay raise.....	---	---	---	840,000	---	840,000
To provide for January 1991 pay raise (including costs of the Census Bureau contract)...	---	---	---	1,753,000	---	1,753,000
To provide for increased bonus costs for GS staff......	---	---	---	72,000	---	72,000
To provide for increased costs to the government of Federal Employees' Retirement System........................	---	---	---	900,000	---	900,000
To provide for increased costs of space rent...........	---	---	---	187,000	---	187,000

Increases (Cont.):	Trust Funds FTE	Trust Funds Amount	General Funds FTE	General Funds Amount	Total FTE	Total Amount
To provide for increased costs of printing.............	---	---	---	70,000	---	70,000
To provide for increased costs of contractual services.	---	---	---	1,692,000	---	1,692,000
To provide for increased costs of administrative services (Working Capital Funds).......................	---	---	---	432,000	---	432,000
To provide for increased costs of the Census Bureau....	---	---	---	301,000	---	301,000
To provide for increased costs of State programs.......	---	2,642,000	---	---	---	2,642,000
To provide for increased costs of supplies and equipment.....................	---	---	---	180,000	---	180,000
To provide for annualization of the Current Population Survey Redesign...............	---	---	6	520,000	6	520,000
Subtotal......................	0	2,642,000	6	8,177,000	6	10,819,000
B. Program:						
To provide for improvement of Federal economic indicators...	---	600,000	19	1,400,000	19	2,000,000
(1990 Base: FTE 0 Budget Authority $0)						
To provide for the consolidated National Office site.........................	---	---	0	4,309,000	0	4,309,000
(1990 Base: FTE 0 Budget Authority $0)						

	Trust Funds		General Funds		Total	
Increases (Cont.):	FTE	Amount	FTE	Amount	FTE	Amount
To restore the 1990 sequester.	0	641,000	0	1,186,000	0	1,827,000
(1990 Base: FTE 2,199 Budget Authority $250,698,000)						
Subtotal......................	0	1,241,000	19	6,895,000	19	8,136,000
Total Increases..............	0	3,883,000	25	15,072,000	25	18,955,000
Decreases:						
A. Built-in:						
To provide for a planned decrease in the revision of the Standard Industrial Classification System.........	---	---	-14	-1,455,000	-14	-1,455,000
Subtotal......................	0	0	-14	-1,455,000	-14	-1,455,000
B. Program:						
To provide for elimination of the Mass Layoffs Program......	---	-5,060,000	-14	-990,000	-14	-6,050,000
(1990 Base: FTE 14 Budget Authority $6,050,000)						
Subtotal......................	0	-5,060,000	-14	-990,000	-14	-6,050,000
Total Decreases.................	0	-5,060,000	-28	-2,445,000	-28	-7,505,000
Total Change....................	0	-$1,177,000	-3	$12,627,000	-3	$11,450,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable		1990 Appropriation		1990 Estimate 1/		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Labor Force Statistics..	397	$63,455,000	415	$66,954,000	414	$66,545,000	399	$67,807,000	-15	$1,262,000
2. Prices & Cost of Living......	1,060	71,178,000	1,076	73,075,000	1,073	72,500,000	1,078	76,159,000	5	$3,659,000
3. Wages & Industrial Relations...	364	21,778,000	364	22,166,000	364	22,030,000	369	23,559,000	5	$1,529,000
4. Productivity & Technology	86	5,433,000	86	5,539,000	86	5,505,000	88	5,887,000	2	$382,000
5. Economic Growth & Employment Projections.	46	3,336,000	46	3,400,000	46	3,379,000	46	3,595,000	---	$216,000
6. Executive Direction & Staff Services....	216	22,269,000	216	22,637,000	216	22,498,000	216	28,077,000	---	$5,579,000
Subtotal....	2,169	187,449,000	2,203	193,771,000	2,199	192,457,000	2,196	205,084,000	-3	$12,627,000

BUDGET AUTHORITY BY ACTIVITY

(continued)

	1989 Comparable		1990 Appropriation		1990 Estimate 1/		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority Applied to Trust Funds:										
1. Labor Force Statistics..	---	45,767,000	---	49,518,000	---	48,877,000	---	47,700,000	---	-1,177,000
Total Budget Authority...	2,169	$233,216,000	2,203	$243,289,000	2,199	$241,334,000	2,196	$252,784,000	-3	$11,450,000

1/ Included in 1990 Estimate:

Reduction pursuant to P.L. 99-177, -$1,827,000 and 0 FTE.

Comparative transfer to DOL Academy and DOL Fitness Center, $0 and -2 FTE.

Ceiling adjustment for Office of Public Affairs, -$128,000 and -2 FTE.

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions (end-of-year)..........	2,003	2,003	1,997	-6
Full-time equivalent:				
Full-time in permanent positions..............	1,980	1,980	1,979	-1
Other positions........	219	219	217	-2
Total..................	2,199	2,199	2,196	-3
Average ES Salary........	$77,322	$77,322	$80,029	$2,707
Average GM/GS grade......	10.02	10.02	10.01	-0.01
Average GM/GS salary.....	$33,687	$33,687	$35,155	$1,468
Average salary of ungraded positions.....	$22,069	$22,069	$23,069	$1,000
Personnel Compensation:				
Permanent positions....	$68,237,000	$70,145,000	$72,681,000	$2,536,000
Positions other than permanent............	4,599,000	4,471,000	4,479,000	8,000
Other personnel compensation.........	1,390,000	1,390,000	1,446,000	56,000
Subtotal, personnel compensation...........	$74,226,000	$76,006,000	$78,606,000	$2,600,000
Personnel benefits.......	12,934,000	12,934,000	14,392,000	1,458,000
Benefits for former personnel..............	56,000	56,000	56,000	0
Travel & transportation of persons.............	4,622,000	4,622,000	4,610,000	-12,000
Transportation of things.............	236,000	236,000	236,000	0
Space rental.............	12,095,000	7,240,000	7,109,000	-131,000
Communications, utilities, & other rent...........	2,047,000	2,047,000	2,047,000	0
Printing & reproduction...........	1,040,000	1,040,000	1,100,000	60,000

BUDGET AUTHORITY BY OBJECT CLASS

(continued)

Other services 1/........	83,189,000	84,950,000	89,324,000	4,374,000
Supplies & materials.....	1,039,000	1,039,000	1,090,000	51,000
Equipment................	3,245,000	3,245,000	7,523,000	4,278,000
Cooperative agreements...	48,560,000	47,919,000	46,691,000	-1,228,000
Total, budget authority by object..............	$243,289,000	$241,334,000	$252,784,000	$11,450,000
Included above:				
Working Capital Fund obligations............	(9,610,000)	(10,231,000)	(10,663,000)	(+432,000)
Advisory and assistance services...............	(0)	(0)	(0)	0
Federal Employees' Retirement System......	(2,445,000)	(2,800,000)	(3,700,000)	(+900,000)

1/ Includes the following amounts for services of other agencies:

Bureau of the Census...	$35,465,000	$35,465,000	$36,664,000	$1,199,000

SIGNIFICANT ITEMS IN FY 1990
HOUSE AND SENATE APPROPRIATION COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
- 1990 House Report (No. 101-172) "The Committee has provided $600,000 to restore published unemployment data for major metropolitan areas".	Data for New York and Los Angeles will be published monthly based on direct use of the Current Population Survey (CPS).
- 1990 House Report (No. 101-172) "The Committee has provided.... $400,000 to restore local areas eliminated from the Current Employment Statistics Program.	The reinstatement of the employment detail for the areas which were cut in FY 1988 will be implemented.
- 1990 Senate Report (No. 101-127)	No specific actions recommended.
- 1990 Conference Report (No. 101-274)	No specific actions recommended.

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request 1990	Budget Request 1991
Authorizing legislation containing indefinite authority		
An Act to Establish the Bureau of Labor, 1884, (amended by Act of 1913 to establish the Department of Labor (29 U.S.C. 1)	$192,585,000	$205,084,000
The Wagner-Peyser Act of 1933, as amended (29 U.S.C. 49)	$ 48,877,000	$ 47,700,000

APPROPRIATION HISTORY

Year	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1980	$102,028,000	$102,028,000	$102,028,000	$102,890,000
1981	$111,880,000	$111,241,000		$111,081,000
1982	$117,398,000	$132,163,000	$117,398,000	$113,067,000
1983	$123,743,000	$122,643,000	$125,453,000	$121,743,000
1984	$137,254,000	$135,837,000	$137,790,000	$137,337,000
1985	$167,280,000	$173,820,000	$168,430,000	$173,280,000
1986	$188,162,000	$194,925,000	$194,949,000	$186,565,000 1/
1987	$197,232,000	$204,461,000	$206,202,000	$205,797,000
1988	$228,705,000	$228,252,000	$227,252,000	$218,050,000
1989	$236,720,000	$236,720,000	$236,720,000	$233,881,000 2/
1990	$242,289,000	$243,289,000	$242,289,000	$243,289,000
Reduction pursuant to P.L. 99-177				$1,827,000
1991	$252,784,000			

1/ FY 1986 includes reductions pursuant to P.L. 99-177.

2/ Reflects $2,839,000 across-the-board reduction pursuant to P.L. 100-436.

BUREAU OF LABOR STATISTICS
SALARIES AND EXPENSES

JUSTIFICATION

	1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Labor Force Statistics....	415	$116,472,000	414	$115,422,000	-1	-1,050,000	399	$115,507,000	-15	85,000
2. Prices & Cost of Living.....	1,076	73,075,000	1,073	72,500,000	-3	-575,000	1,078	76,159,000	5	3,659,000
3. Wages & Industrial Relations.....	364	22,166,000	364	22,030,000	0	-136,000	369	23,559,000	5	1,529,000
4. Productivity & Technology....	86	5,539,000	86	5,505,000	0	-34,000	88	5,887,000	2	382,000
5. Economic Growth & Employment Projections...	46	3,400,000	46	3,379,000	0	-21,000	46	3,595,000	0	216,000
6. Executive Direction & Staff Services......	216	22,637,000	216	22,498,000	0	-139,000	216	28,077,000	0	5,579,000
Total Budget Authority.......	2,203	$243,289,000	2,199	$241,334,000	-4	-1,955,000	2,196	$252,784,000	-3	$11,450,000

1/ Included in the 1990 Estimate above: Reduction pursuant to P.L. 99-177, -$1,827,000 and 0 FTE.
Comparative transfer to DOL Academy and DOL Fitness Center, $0 and -2 FTE.
Ceiling adjustment for Office of Public Affairs, -$128,000 and -2 FTE.

GENERAL STATEMENT

The Bureau of Labor Statistics, the principal fact-finding agency in the Federal Government in the broad field of labor economics, has a dual mission to:

- Provide general purpose statistics for economic and social policy, decisions in the business and labor communities, legislative and other programs affecting labor, and research on labor market issues; and

- Serve the program needs of the Department of Labor and other Federal agencies, which use the Bureau's data and research findings to administer and evaluate on-going programs, develop legislative proposals, and analyze economic and social problems.

To satisfy these objectives the Bureau collects, processes, analyzes, and disseminates data on employment and unemployment; prices and living conditions; consumer expenditures; wages and employee benefits; industrial relations activities; productivity and technological change in U.S. industries; projections of economic growth, the labor force, and employment by industry and occupation; and occupational injuries and illnesses. The last are developed under contract with the Occupational Safety and Health Administration. The principal criteria used in the development of these data and related analyses are their relevance to current social and economic issues; timeliness in reflecting changing economic conditions; quality; impartiality; and legislative requirements.

Most of the Bureau's data come from surveys conducted by the Bureau's field staff, by the Bureau of the Census on a contract basis, or jointly with cooperating agencies of state governments. Within the limits of Bureau resources, this statistical output is regularly and thoroughly reviewed to assure its accuracy, and new series are developed to respond to new or changing needs.

The Bureau is responsible for the production of some of the Nation's most sensitive and important economic series. Its major indicators are not only a key source of data used by the Administration and Congress in monitoring the state of the economy and implementing Federal legislation, but they are also used by industry and labor in their economic planning and collective bargaining activities as well as by both public and private institutions in a variety of other planning and analytic activities. BLS series also play a large and important role in the development of other Federal statistics, such as the Nation's Gross National Product, national income, and industrial production series, which are produced by the Department of Commerce.

For many years, the Federal Government has relied extensively on several Bureau series in the administration of Federal programs, i.e., the Consumer

Price Index (CPI), the Producer Price Index (PPI), the survey of Professional, Administrative, Technical, and Clerical (PATC) pay, the Employment Cost Index (ECI), and Local Area Unemployment Statistics (LAUS). These series are used as escalators of various Federal transfer payments, Federal defense and other contract costs, wages and salaries of Federal white-collar workers, and as trigger mechanisms for the allocation of Federal funds provided by various assistance programs. Changes in BLS data have direct effects on overall Federal budget expenditures, including Federal allocations to state and local jurisdictions, as well as on unit labor costs throughout the entire economy.

Because of these important uses of Bureau data, it is easy to see that their quality must be maintained at the highest possible levels. Very small errors could cause large misallocations of resources in both the public and private sectors.

In **FY 1990** the Bureau will begin work approved by the Congress on a comprehensive multi-year plan to revise the Current Population Survey (CPS). The redesign effort will cover all aspects of the CPS, which is the Nation's most closely watched and relied upon measure of labor force activity, and will be undertaken in cooperation with the Bureau of the Census. Other new initiatives continuing in 1990 include the efforts to revise and improve price indexes of exports and imports needed for U.S. trade policy and the development of an improved business establishment list for use by the Bureau in survey design and sample selection. With funds provided by the Congress, employment estimates for 23 individual metropolitan areas will be restored to the BLS industry employment statistics program, and unemployment estimates for New York and Los Angeles obtained from the Current Population Survey will be published on a monthly basis.

In **FY 1991**, the Bureau requests resources to continue the production of its core statistical programs, including funds required due to mandatory cost increases. In addition to providing contractual funds to support base programs eliminated on a one-time basis in FY 1990, the BLS FY 1991 request proposes additional expenditures for the following new activities:

- As part of a government-wide effort to improve basic economic indicators, the Bureau requests $2,000,000 to initiate immediate improvements in its employment, price, wage, and productivity data series. (See the proposal for Improvement of Federal Economic Indicators below). This initial proposal focuses on an immediate improvement in both the quality and quantity of existing statistical measures, with emphasis on currently uncovered components of the rapidly growing service sector of the U.S. economy.

- Consolidation of BLS staff locations at a single office building site, known as the Postal Square Office Building. BLS is requesting resources to finance certain one-time costs associated with this activity which will greatly benefit future operations of both the

Bureau of Labor Statistics and the General Accounting Office (GAO). At present, BLS staff are located at four separate office locations, including the GAO office building. GAO wishes BLS to vacate the current BLS space holdings in the GAO Building so that GAO can pursue consolidation of its own space holdings in the Washington, D.C. area.

The Bureau is also requesting an increase in agency employment to meet staffing requirements of the redesign of the Occupational Safety and Health Statistics program which began in FY 1990. In FY 1991, developmental work on a Fatal Occupational Injury Data system will begin. Combining records from several sources, the goal of this program is to provide more accurate counts of all fatal work-related injuries. Since this program is funded by the Occupational Safety and Health Administration (OSHA) on a reimbursable basis, the dollar request level is reflected in the OSHA budget.

In order to provide the resources in FY 1991 for continuing production and publication of Bureau series having the highest priority, the Bureau proposes to terminate funding of the Mass Layoffs Statistics Program, a Federal-State cooperative effort under which the Bureau has funded State developmental efforts since FY 1984.

As the Bureau continues its program activities, it will also continue to give close attention to the effective use of its base resources by advancing managerial efficiency and carefully monitoring its resource use and expenditures.

Improvement in Federal Economic Indicators

Proposal: The Council of Economic Advisers has launched an interagency effort to improve the Nation's basic economic data series. This proposal would fund the first year of BLS activities undertaken as part of this coordinated long-term effort to improve Federal Government statistical programs.

Rationale: The President's message to Congress, Building a Better America, stresses the importance of maintaining "... comprehensive and accurate statistics on America's population and its economy." Based on this Presidential priority, and given numerous concerns expressed by the Congress and other major data users in both the public and private sectors, an interagency working group chaired by the Council of Economic Advisers has completed an assessment of the government's major economic statistics programs. While finding that the U.S. statistical system is among the best in the world, the report concludes that despite recent improvements serious problems exist in areas critical to public and private decision-making. With respect to the rapidly changing service sector, the report states that existing measures of economic performance are "seriously flawed." While efforts to examine the long-run needs of the Federal statistical system will continue, the statistical agencies were asked to undertake a first initiative this year. This proposal would initiate additional work in those areas identified as most in need of immediate attention.

Program Effect: This proposal would fund an immediate effort to address data deficiencies in major BLS programs. Because several of the BLS' most important economic indicators do not provide coverage or separate detail for new or growing industries, the initial focus of the BLS effort will be to address these gaps in coverage. Specific projects to be initiated are as follows:

(1) Expansion and improvement in the Current Employment Statistics Program (BLS - 790) - to provide:

Monthly publication of employment, hours, and earnings data for thirty-five (35) additional service sector industries. The expansion would be undertaken as part of the existing Federal/State cooperative data system. In order to improve the quantity and quality of employment measures, and to improve the quality of the preliminary data used to estimate growth in output, this project would include (1) a sample redistribution to strengthen the representativeness of the service sector and expand publication detail, and (2) the implementation of modern collection technology in the twenty largest States to reduce the frequency and extent of revisions in the survey's preliminary estimates of employment and earnings. These preliminary estimates are a major focus of the Bureau's monthly employment situation report, comprise the Nation's first major indicator of the previous month's business activity, and are a major input to estimates of the Gross National Product, the Industrial Production Index, and the Index of Leading Indicators.

(2) Expansion of the Producer and International Price Programs to provide:

Additional measures of price change for currently uncovered service sector industries. In the producer price index area, work would begin to extend program coverage to the health services industry by developing an output price index for hospital services. For U.S. foreign trade, service sector coverage would be expanded in the transportation service sector by producing data measuring price changes for ocean liner freight services.

(3) Expansion of the Employment Cost Index Program to provide:

Separate measures of the change in employer labor costs (the price of labor) for the nursing and personal care facilities industry. This project would provide separate detail for one of the fastest growing industries in the economy, and also improve the statistical reliability of the Employment Cost Index aggregate data series for service-producing industries, services, and health services.

BLS-18

(4) Expansion of the BLS Industry Productivity Program to include:

Separate measures for currently uncovered industries. The small increase proposed in this area would permit the rate of introduction of new service sector productivity measures to increase from the current pace of two industries per year to four industries per year. Initial efforts would focus on extending program coverage in such areas as financial services, insurance, wholesale trade, health services, and other personal or business services.

LABOR FORCE STATISTICS

1990 Appropriation		1990 1/ Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
415	$116,472,000	414	$115,422,000	-1	-$1,050,000	399	$115,507,000	-15	$85,000

1/ Included in the 1990 Estimate above:
Reduction pursuant to P.L. 99-177,
-$1,050,000 and 0 FTE.
Comparative transfer to DOL Academy and DOL fitness center $0 and -1 FTE.

Introduction

This activity provides comprehensive and timely information on the labor force, employment, unemployment, and related labor market characteristics at the national level; industrial and occupational employment at the state level; and unemployment at state and local levels. Data are obtained directly from households through the Current Population Survey, from establishment payroll records through the Current Employment Statistics and Occupational Employment Statistics Surveys, as well as indirectly from the administrative records of the state unemployment insurance agencies and other secondary sources.

Major components of this activity are described below:

Current Population Survey (CPS): The Bureau analyzes and publishes statistics from the Current Population Survey, which is conducted by the Bureau of the Census on a contractual basis for the Bureau of Labor Statistics. The survey provides the following data for the Nation as a whole:

- monthly data on the labor force, employment, and unemployment, including the characteristics of workers, such as age, sex, race, family relationships, marital status, occupation, industry, and reason for, and duration of, unemployment. Summary statistics for the 11 largest states are also provided;

- monthly and/or quarterly data on the labor market experience and characteristics of special groups in the population, such as persons not in the labor force, including discouraged workers; persons of Hispanic origin; women; veterans; blacks; young and older workers; and poverty area residents;

- quarterly data on the usual weekly earnings of all wage and salary workers, cross-classified by a large number of demographic and family characteristics, such as dual-earner families and families maintained by women; and

- annual data on the demographic characteristics of the labor force for the 50 states and 50 large metropolitan areas, the income and work experience of the population, family characteristics of labor force participants, the number of children of working mothers, the educational attainment of the work force, and the employment situation of school-age youth.

Current Employment Statistics (CES) Survey: The Bureau produces, in cooperation with the State Employment Security Agencies, employment, hours, and earnings statistics based on monthly reports from a sample of over 300,000 reporting establishments. Aggregated national data by major industry groups are first issued along with the CPS data on employment and unemployment in the monthly news release, The Employment Situation. Subsequently, more detailed data are published for some 580 industries at the national level. These data are used as current indicators of labor market trends, to assess overall economic conditions, and as a major component of national income and productivity statistics. In addition, many private contracts provide for escalating the labor cost component of long-term procurement contracts on the basis of changes in the CES earnings series.

Insured Employment and Wages (ES-202): The Bureau develops, in cooperation with State Employment Security Agencies, data by industry, State and county on employment and wages of workers covered by the Unemployment Insurance (UI) system. The Bureau uses these data to benchmark data from its other sample surveys that are based on payroll records. Other agencies also use these data, e.g., to estimate a large part of the wage and salary component of the Gross National Product and personal income accounts and to administer and conduct research on financial aspects of the UI system. Each state uses the "ES-202" employment data to calculate "total covered employment," which, in turn, is used to calculate the unemployment rate of persons who are insured under the UI system. These state rates are used to trigger extended UI benefits.

The Bureau maintains an up-to-date "universe" file of the establishments reporting under the state Unemployment Insurance system, from which samples are selected for the Bureau's establishment-based surveys. The Universe Data Base (UDB)--a data base maintenance system--edits, updates, organizes, stores, and retrieves information stored in this file. It includes the names of nearly six million establishments including their addresses and other characteristics. The Bureau also is responsible for the maintenance of the accuracy of the assignment of Standard Industrial Classification (SIC) codes to these establishments, which directly affects the quality of the survey samples.

Occupational Employment Statistics (OES): The Bureau produces, in cooperation with State Employment Security Agencies, data on employment by occupation for all nonagricultural industries at the national and state levels on a 3-year cycle. These data are used in the development of training programs under the Job Training Partnership Act (JTPA) of 1982, as well as by the National Science Foundation in its assessments of the Nation's scientific, engineering and technical requirements, and in the Bureau's national matrix of occupational employment by industry, which is the data base for the development of the Bureau's projections of occupational requirements in the years ahead.

Local Area Unemployment Statistics (LAUS): The Bureau produces, in cooperation with State Employment Security Agencies, unemployment rates for states, counties, cities of 25,000 or more population, and other metropolitan statistical and labor market areas. The state agencies develop state and area estimates each month based on methodology developed by the Bureau. These estimates are used to (1) allocate funds under the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) program, JTPA, and other Federal entitlement programs; (2) designate labor surplus areas for use in Department of Defense policy planning; (3) measure the levels and trends in total unemployment at the state and local area levels for program administration and economic analysis; and (4) determine eligibility for Federal funds in the Department of Housing and Urban Development's Urban Development Action Grant program.

Mass Layoff Statistics Program (MLS) (formerly called Permanent Mass Layoffs and Plant Closings-PMLPC): The Mass Layoffs Statistics program was established in FY 1984 at the direction of Congress to identify establishment closings and to determine the impact of major job cutbacks on workers.

FY 1991 Budget Request

The production, analysis, and publication of all major monthly, quarterly, and annual series will continue with the exception of the Mass Layoffs Statistics program. Specific activities and changes are specified by program.

CPS - Work will continue on the comprehensive redesign of the CPS, including the testing of alternative questionnaires leading to a new questionnaire in 1994, as well as research on the expansion of the CPS sample for state and local area estimates, and the improvement of longitudinal data.

CES - Work will begin to expand the amount of detail available for service sector industries. In addition, improvements in data quality and timeliness of CES data will continue to be made through the implementation of Computer Assisted Telephone Interviewing (CATI) and touchtone self-response data collection.

ES-202 - Uniform collection of employment and wage information for worksites of business firms with more than one location in a county will begin, and BLS will be able to assume responsibility as the government's central collection agency for business directory information.

OES - Data will be collected nationally at the 3-digit level from 217,000 employers in the trade, utilities, transportation and government industries.

LAUS - Research will continue on improvements in labor force estimates for sub-state areas. The screening and editing modules of the microcomputer based estimating system in the States will be installed.

MLS - This program, which was initiated in FY 1984, will be terminated as a Federal/State cooperative program. With the passage of legislation requiring advance notice of plant closings, the need for this program has been reduced.

Workload/Output Measures	FY 1989 Actual	FY 1990 Estimate	FY 1991 Proposal
CPS: National labor force estimates (monthly, quarterly, annual or irregularly published)..	28,700	29,600	29,600
CES: Employment, hours, and earnings series maintained for National, state and local areas (monthly and annual)..............	38,100	38,700	38,700
ES-202: Insured employment and wages for states and counties at 1-, 2-, 3-, and 4-digit SIC industries (quarterly)......................	952,572	952,572	952,572
Establishment records (current and longitudinal) maintained by the Universe Data Base.........	6,000,000	6,200,000	6,900,000
OES: survey is on a 3-year cycle (national annual average series);			
Trade, utilities, transportation, and government (102 3-digit SIC's)	—	—	13,400
Manufacturing (144 3-digit SIC's).	23,940	—	—
Nonmanufacturing (128 3-digit SIC's)...............	—	19,700	—

LAUS: Employment and unemployment estimates for states and local areas (monthly and annual)..............	5,419	5,464	5,484
MLS:			
Quarterly reports	196	200	—
Other Output			
Technical memoranda prepared......	166	140	140
Data development and evaluation projects...............	140	139	139
Articles, reports, papers and bulletins on labor force developments......................	80	89	89
State cooperative agreements negotiated and monitored for LMI programs......................	55	55	55

FY 1990

The production, analyses, and publication of all major monthly, quarterly and annual series continues. Specific activities and changes are specified by program.

CPS - Work will begin on a comprehensive, multi-year redesign of the CPS including questionnaire development and cognitive research. Data for New York City and Los Angeles will be published monthly based on direct use of the CPS. Data on the employment situation of Vietnam era veterans will be analyzed and published. Data will also be analyzed and published on dual jobholding, volunteer work and certain types of work schedules. Data from a recurring supplemental inquiry on worker dislocation will be analyzed and published.

CES - A multi-State implementation test of a new Touchtone Data Entry (TDE) collection system will be conducted. This system offers the potential for significantly improving survey timeliness and the data quality of preliminary estimates, and builds on the work of the BLS in Computer Assisted Telephone Interview techniques (CATI). Research on the estimation of employment in new businesses will continue. Employment detail for the 23 areas which were cut in FY 1988 will be reinstated.

ES-202 - The conversion of ES-202 processing systems to accommodate multi-unit firm reporting will be completed. Progress toward generalizing the

business list to accommodate the needs of other Federal government statistical agencies will be made.

SIC Revision - The conversion of the CES, OES and Occupational Safety and Health Statistics' programs to the 1987 SIC basis will be completed.

OES - Data for non-manufacturing industries will be collected nationally at the 3-digit level.

LAUS - Research will begin on developing seasonal adjustment techniques for State labor force estimates and on revisions to sub-state estimating methodology. A complete redesign of the microcomputer based estimating system to accommodate more advanced technology will begin.

MLS - Data will be collected in all participating States and the District of Columbia. The changes selected as a result of the 1989 program review will be implemented through a system redesign.

FY 1989

The production, analyses and publication of all major monthly, quarterly and annual series continued. Specific activities and changes are specified by program.

CPS - Planning activities were begun to prepare for the comprehensive redesign of the Current Population Survey, a project undertaken jointly with the Bureau of Census. A report on the problems faced by older workers, as cited in P.L. 100-203, was submitted to the Congress. Information was collected on work, both paid and volunteer, being performed outside of workers' primary job.

CES - A multi-state implementation test of Computer Assisted Telephone Interviewing (CATI) collection for monthly reporters with 500 or more employees was started. A multi-state test was also conducted to evaluate options for changing from mail shuttle data collection to a more timely and cost-effective Touch-tone Data Entry (TDE) system of employer self-reporting. Research continued on the identification and estimation of new business births.

ES-202 - Tabulation of the first quarter 1988 ES-202 report on both the 1972 and 1987 SIC was completed. The ES-202 data on the 1987 SIC codes was published. States began conversion of their ES-202 processing systems to accommodate expanded multi-unit firm reporting.

SIC Revision - Work began on SIC conversion activities for the Current Employment Statistics, the Occupational Employment Statistics, and the Occupational Safety and Health surveys. The Bureau's establishment-based sampling frame was converted to the 1987 SIC codes.

OES - Data for manufacturing industries were collected at the 3-digit SIC level nationally. Data for nonmanufacturing industries, collected in FY 1988, were published.

LAUS - Implementation of the microcomputer based estimating system in cooperating state agencies continued. The revised methodology for state-wide estimates was implemented with January 1989 data.

MLS - Developmental activities at the state level were completed. A quality assurance program was introduced. A complete review of the program was conducted and program improvements were identified.

Activity Changes:
Built-in:

Net cost of within grade increases, merit pay increases, GS bonuses, extra day of pay annualization of the January 1990 pay raise, the FY 1991 costs of the January 1991 pay raise (including Census Bureau contract cost), and increased costs of the Federal Employees' Retirement System....................................	1,248,000
Increased cost of space rent............................	84,000
Increased cost of printing..............................	25,000
Net cost of WCF mandatories.............................	316,000
Increased cost of contractual services..................	357,000
Increased cost of the Census Bureau.....................	213,000
Increased cost of State programs........................	2,642,000
Increased cost of supplies and equipment................	35,000
Planned annualization of the Current Population Survey Redesign (+6 FTE)..............................	520,000
Planned phase-down of the revision of the Standard Industrial Classification System (-14 FTE)...	-1,455,000
Total Built-in (-8 FTE)......................	+$3,985,000
Net Program...	-$3,900,000
FTE...	-7

Restoration of the 1990 Sequester

Proposal: To restore the FY 1990 sequester.

Rationale: This eliminates the one-time sequester of FY 1990.

Program Effect: Programs will be maintained at current levels.

Base:

FTE: 414 Estimate: $115,422,000

Program Increase:

FTE: 0 Estimate: $1,050,000

Improvement in Federal Economic Indicators

Proposal: The Bureau is requesting funding for a multi-activity initiative to improve Federal economic indicators.

Rationale: Findings of a review of Federal economic indicators chaired by the Council of Economic Advisers indicate that existing measures of economic performance, particularly with respect to the service sector, are inadequate.

Program Effect: In this activity, the proposal would provide for expansion and improvement of The Current Employment Statistics Program as set forth in the General Statement (pages BLS 16-18).

Base:

FTE: 0 Estimate: 0

Program Increase:

FTE: 7 Estimate: $1,100,000

To Eliminate Mass Layoffs Statistics

Proposal: To eliminate the Mass Layoffs Statistics program, which is conducted on a cooperative basis with State employment agencies. This program collects quarterly data on permanent mass layoffs and plant closings for inclusion in an annual report.

Rationale: With the passage of legislation requiring advance notice of plant closing, the need for this program has been reduced. The program does not operate in all states; therefore nationwide data can not be produced from it. A decrease in this lower priority program will help offset increases essential for higher priority core statistical programs.

Program Effect: BLS will take steps to turn over the operation of the program to those States wishing to continue this statistical activity. It is expected that those states that find the MLS program useful will continue the program to assess the impact of mass layoffs and to support remedial programs for displaced workers. The Department also plans to continue to conduct periodic household surveys to provide national estimates of displaced workers.

Base:

FTE: 14	Estimate: $6,050,000

Program Decrease:

FTE: -14	Estimate: -$6,050,000

PRICES AND COST OF LIVING

1990 Appropriation		1990 1/ Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1,076	$73,075,000	1,073	$72,500,000	-3	-$575,000	1,078	$76,159,000	5	$3,659,000

1/ Included in the 1990 Estimate above:
Reduction pursuant to P.L. 99-177,
-$447,000 and 0 FTE.
Comparative transfer to DOL Academy and DOL fitness Center, $0 and -1 FTE.
Ceiling adjustment to Office of Public Affairs -$128,000 and -2 FTE.

Introduction

This program provides comprehensive and detailed measures of price change for several different levels within the U.S. economy and estimates of consumers' incomes and expenditures. The program's output is an essential element in the analysis of price behavior and consumer spending patterns, the interpretation of price movements in relation to other major economic changes, and the formulation and evaluation of economic policies. The most widely-used statistics developed in this program are monthly measures of price change for the consumer and producer sectors of the economy.

The Consumer Price Index program is the principal source of information concerning trends in prices paid by urban consumers in the United States. The data provided by this program are used in the formulation and evaluation of economic policy; in wage negotiations; in escalation of wages and pensions; and for adjusting payments in a number of Federal programs such as Social Security and food stamps. The Consumer Price Index is also used (1) to adjust the dollar value of Federal personal income tax brackets and individual exemptions and (2) in deflation of the National Income and Product Accounts.

The Industrial Price Program is the principal source of information on changes in prices received by producers of the Nation's goods and services. The Producer Price Index (PPI) program provides detailed monthly price indexes for 9,000 commodities and commodity groups. These detailed indexes are combined into stage-of-processing price indexes, which are comprehensive indicators of price change in pre-retail markets. In addition, the coverage of industry output by the Producer Price Indexes program now includes approximately 98 percent of the value of production in the mining and manufacturing sectors of the U.S. economy in 485 industries. Summary indexes are used extensively in the formulation of public and private economic policy. Detailed indexes are used for market analysis, escalation of at least $200 billion in purchase and sales contracts, deflation of the National Income and Product Accounts, valuation of inventories, and calculation of capital equipment replacement costs.

The International Price Program is the principal source of information on price change of United States' exports and imports. Indexes for detailed and aggregate commodity groups provide measures of prices paid in the U.S. for foreign goods sold in U.S. markets and of prices received by U.S. manufacturers for U.S. goods sold in other countries. These indexes are used in the private sector for market analyses, contract escalation, inventory valuation and replacement cost accounting. They are used by policymakers to measure the effect of other countries' prices and exchange rates on price levels in the United States and to analyze the competitive position of U.S. goods and services in world markets. Representatives of the United States use these indexes in international trade and financial negotiations. The indexes are also used for deflating the foreign trade sector of the National Income and Product Accounts.

The Consumer Expenditures Program provides data on consumers' expenditures including estimates of spending for major components of consumption classified by such characteristics as income and size of family. Data for this program are collected through two surveys, a Quarterly Interview Survey to obtain comprehensive information for major categories of income and expenditure and a Diary Survey to obtain expenditure information for smaller, frequently purchased items. Data from this program are essential to the Consumer Price Index program for revising both the samples of items priced and expenditure weights. The data are also used by analysts in the public and private sectors to assess the impact of policy changes on consumption and to evaluate general economic and market trends.

The Price and Index Number Research Program is carried out to strengthen and improve existing price measurement concepts and techniques as well as to develop new price measures. In-depth economic and statistical research, such as analysis of consumer behavior, adjustment of price statistics to account for quality change, and measurement of the cost of living, is an ongoing part of this program.

FY 1991 Budget Request

The production and publication of all major programs for Price Statistics will continue and the following activities will be undertaken in addition:

Consumer Price Index Program: The ongoing program for publication of national and area indexes will continue on schedule. The Point of Purchase Survey will be conducted in 16 local areas as part of the program to update about 20 percent of the CPI outlet sample annually. In the productivity improvement program, extensive testing of Random Digit Dialing will continue for the Point of Purchase Survey, Computer Assisted Telephone Interviews will be used to collect rent data, and testing of Computer Assisted Personal Interviews will continue in retail establishments.

Industrial Price Program: The regular program of sample rotation will be continued to reflect product changes and to offset sample attrition. These revisions are part of the ongoing evaluation and maintenance of indexes covering the mining and manufacturing sectors of the economy. The quality adjustment techniques developed for pricing computers will be applied to other high-tech areas such as semi-conductors and telecommunications equipment. Revised indexes for gas and electric utilities will be introduced, and improvements in pricing agriculture products will continue.

Consumer Expenditures Program: Data from the Consumer Expenditures Surveys for 1989 - Diary and Quarterly Interviews - will be published. The Interview Survey will introduce an improved questionnaire that has been revised based on analysis and design studies completed in conjunction with the BLS Survey Design Research Center. A major field evaluation of a revised Diary Questionnaire will be undertaken to improve estimates of frequently purchased items.

International Price Program: Regularly scheduled publication of export and import indexes will continue. The Revision of this program will continue into its third year with the selection of the first export price samples using the new survey design and the redesign of the database for the program's computer system.

Service Sector Price Indexes: With the additional resources requested this year, an output price index for hospital services will be developed, and work will begin on an index for physicians' services. For international trade, an additional index will be developed for ocean freight services.

Research Program: Research efforts will emphasize the calculation of interarea price indexes for 1989, the comparison of Consumer Expenditure Surveys with other household surveys, and the calculation of an output price index for the banking industry.

Workload/Output Measures	FY 1989 Actual	FY 1990 Estimate	FY 1991 Proposal
Consumer Prices and Price Indexes			
Outlet contacts (monthly).......	21,155	21,155	21,155
Price quotations collected/processed (monthly)......................	97,930	98,980	98,980
Indexes published (monthly).....	8,247	8,247	8,247

Outlet initiations (annually)	7,500	7,050	7,050
Rent/Rental equivalence price quotations (monthly)	14,550	12,000	12,000
Producer Prices and Price Indexes			
Sample units initiated (annually)	4,585	4,585	4,585
Price quotations collected/ processed (monthly)	80,500	82,500	82,500
Commodity indexes published (monthly)	12,247	12,247	12,247
Revised mining and manufacturing indexes published (monthly)	619	619	619
Service industry indexes published (percent of value of domestically-produced and consumed services)	7.8	16.0	16.0
International Prices and Price Indexes			
Sample units initiated (annually)	3,000	3,600	4,800
Price quotations collected/ processed (quarterly)	31,000	38,000	40,000
Export price indexes (percent of value of products traded)			
Products	100	100	100
Services	2.1	3.1	3.1
Import price indexes (percent of value of products traded)			
Products	100	100	100
Services	10.5	11.8	11.8

Consumer Expenditures and Income			
Weekly Expenditure Diaries Collected From Households.......	11,366	11,593	11,825
Quarterly Interviews, Collected From Households.................	24,688	25,182	23,852

FY 1990

Consumer Price Index Program: The Point of Purchase Survey is being conducted in 19 local areas as part of the program to update approximately 20 percent of the CPI outlet sample annually. In the productivity improvement program, testing continues of Computer Assisted Telephone Interviewing to collect rent information, as does tests of Computer Assisted Personal Interviews in retail establishments.

Industrial Price Program: Approximately one-sixth of the PPI sample is being revised as part of the ongoing evaluation and maintenance of indexes covering the mining and manufacturing sectors of the economy. Experimental price indexes for part of the computer industry are being published, a major expansion in coverage of natural gas and electric power utilities is underway, and improvements are being initiated in pricing sources and estimation methods for the agricultural sector. The last activities are to make the price indexes for agriculture more consistent with the rest of the Industrial Price Program.

Consumer Expenditures Program: Data from the Consumer Expenditure Surveys for 1988 - Diary and Quarterly Interviews - will be published. The Quarterly Interview Survey is being expanded to collect detailed information on auto-leasing and vacation homes.

International Price Program: The four year revision of this program enters its second year. The first import samples of price quotations using the new survey design are being selected, and the development of the new computer system is continuing.

Service Sector Price Indexes: Development of new indexes are continuing for both the domestic economy and foreign trade. Distributive services--transportation and retail trade--are the primary focus.

Research Program: The Research Program is continuing to provide valuable technical support to price programs, especially the development of indexes for service industries. Research efforts are also focusing specifically of the development of interarea price indexes and on conceptual and operational methods of adjusting price indexes for quality change.

FY 1989

All ongoing Production activities in each principal program area - consumer prices, industrial prices, international prices, consumer expenditures, and research programs - were completed on schedule. In addition, in conjunction with the International Price Revision program, monthly price indexes for broad categories of U.S. exports and imports were provided for the first time in January, 1989. These measures are now produced on an ongoing basis.

Activity Changes:
Built-in:

Net cost of within grade increases, merit pay increases, GS bonuses, extra day of pay annualization of the January 1990 pay raise, the FY 1991 costs of the January 1991 pay raise (including Census Bureau contract cost), and increased costs of the Federal Employees' Retirement System	1,899,000
Increased cost of space rent	35,000
Increased cost of printing	19,000
Net cost of WCF mandatories	98,000
Increased cost of contractual services	539,000
Increased cost of the Census Bureau	88,000
Increased cost of supplies and equipment	84,000
Total Built-in	+2,762,000
Net Program	+$897,000
FTE	5

Restoration of the 1990 Sequester

Proposal: To restore the FY 1990 sequester.

Rationale: This eliminates the one-time sequester of FY 1990.

Program Effect: Programs will be maintained at current levels.

Base:

FTE: 1,073 Estimate: $72,500,000

Program Increase:

FTE: 0 Estimate: $447,000

Improvement in Federal Economic Indicators

Proposal: The Bureau is requesting funding for a multi-activity initiative to improve Federal economic indicators.

Rationale: Findings of a review of Federal economic indicators chaired by the Council of Economic Advisers indicate that existing measures of economic performance, particularly with respect to the service sector, are inadequate.

Program Effect: In this activity, the proposal would provide for expansion and improvement of The Producer Price and International Price Programs as set forth in the General Statement (pages BLS 16-18).

Base:

FTE: 0	Estimate: 0

Program Increase:

FTE: 5	Estimate: $450,000

WAGES AND INDUSTRIAL RELATIONS

1990 Appropriation		1990 1/ Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
364	$22,166,000	364	$22,030,000	0	-$136,000	369	$23,559,000	5	$1,529,000

1/ Included in the 1990 Estimate above:
Reduction pursuant to P.L. 99-177,
-$136,000 and 0 FTE.

Introduction

This program provides for the development of a comprehensive body of reliable information on employee compensation (wages and benefits) and industrial relations. It includes several kinds of surveys: the Employment Cost Index (ECI); area and industry wage surveys; a comprehensive Employee Benefits Survey (EBS); and a nation-wide White-Collar Pay and Benefits survey being developed by expanding and integrating three ongoing programs, the Professional, Administrative, Technical, and Clerical Pay Survey (PATC), the EBS and the ECI.

Another major component of this program activity, labor-management relations, includes analyses of wage and benefit changes in major collective bargaining settlements, statistics on work stoppages, and reports on pending labor-management negotiations in major bargaining units.

The objectives of the program are:

-To produce compensation and wage measures relevant to current economic conditions and to the statistical needs of policymakers, analysts, and those engaged in collective bargaining.

-To provide data that assist in the administration of Federal laws, including those that deal with pay setting for employees of (a) the Federal Government and (b) private firms who work on Federal contracts.

-To support Federal policy to promote "sound and stable industrial peace," which is advanced by having objective data accepted by both labor and management during the collective bargaining process.

-To develop comprehensive, cohesive, and cost-effective wage and benefit information by improving the consistency among all occupational wage and benefit surveys in this activity.

The program is based primarily on data gathered directly from establishments, largely by personal visits and mail questionnaires. Data from secondary sources, e.g., media accounts, are used in some parts of this program, such as reports on developments in labor-management relations.

FY 1991 Budget Request

Implementation of the White-Collar Pay and Benefits Survey, which began in FY 1987 as directed by Congress, will continue. The Bureau will deliver the 1991 results of this survey to the President's Pay Agent (the Secretary of Labor and Directors of the Office of Management and Budget and the Office of Personnel Management), satisfying requirements of the Federal Pay Comparability Act of 1970. (The new White-Collar Pay and Benefits Survey replaces the Bureau's PATC survey previously used in the Federal Pay Comparability process.) Results from the 1990 Employee Benefits Survey (EBS) of small firms in private industry and State and local governments will be published.

The 1991 EBS will be collected and tabulated with the Employment Cost Index, continuing the linkage between these two surveys indicated in the August 1987 report to Congress. Occupational Wage Surveys of 5 industries and 61 metropolitan areas will be completed.

The Employment Cost Index (ECI) will be published quarterly and its sample will be replenished to offset losses of establishments no longer in business or who decline to participate in the survey, and to include new establishments. Levels of employer costs for employee compensation will be published for 3 occupational groups in State and local governments: Executive, administrative and managerial; professional specialty and technical; and administrative support, including clerical. Work on a plan to increase publication detail for the ECI's service producing industries, namely, nursing and personal care facilities will begin.

Data on the results of collective bargaining settlements will continue to be issued quarterly for private industry and semi-annually for State and local governments. The Collective Bargaining Public-Use File will be maintained and updated. Current Wage Developments, which includes data on work stoppages involving 1,000 or more workers, will be published monthly.

Workload/Output Measures	FY 1989 Actual	FY 1990 Estimate	FY 1991 Proposal
Employment Cost Index— Number of schedules	5,400	5,350	5,600
PATC survey— Number of schedules	3,325	1/	1/

Employee Benefits Survey—2/			
Number of schedules	1,500	1,000	1,500
Plans analyzed	8,400	5,000	8,400
White-Collar Pay and Benefits Program--1/			
White-collar Pay Survey			
Number of schedules	2,375	3,170	5,300
Employee Benefits Survey			
Number of schedules	500	2,300	500
Plans analyzed	2,400	6,200	2,400
Employment Cost Index Survey			
Number of schedules	600	835	835
Occupational wage surveys of areas and industries—			
Number of schedules	13,000	13,000	13,000
Occupational wage and benefit surveys—			
Special analyses/reports	6	5	5
Collective Bargaining			
Settlements reviewed	2,500	2,500	2,500
Number of contracts maintained	4,900	4,900	4,900
Current Wage Developments—			
Number of tables, including those for work stoppages	323	323	349

1/ PATC becomes part of the new White-Collar Pay and Benefits Survey in FY 1990.

2/ Workload reflects changes in survey coverage rather than reduced data collection time, i.e., medium and large firms in FY 1989 and FY 1991, and state and local governments in FY 1990.

FY 1990

The Employment Cost Index (ECI) will be published quarterly and its sample will be replenished to offset losses of establishments that are no longer in business or refuse to cooperate, and to include new establishments. Completing a 4-year plan to increase publication detail for service-producing industries, new ECI series of changes in compensation and wages will be introduced for three occupational groups in State and local governments: Executive, administrative, and managerial; professional speciality and technical; and administrative support including clerical.

White-collar salary data from the FY 1990 White-Collar Pay Survey will be published; the sample will cover goods-producing establishments. The results of the 1990 survey, to be delivered in August 1990 to the President's Pay Agent, will be combined with those of the FY 1989 survey of service-producing industries which will be updated to 1990 using an appropriate Employment Cost Index series.

Work will be continued on the implementation of the new national White-Collar Pay and Benefits survey plan covering all segments of the white-collar workforce.

The Employee Benefits Survey will be conducted, providing data on the incidence and characteristics of benefit plans in small firms in all private industries, except agriculture and private households, and in State and local governments. Occupational wage surveys of 61 areas and 5 industries scheduled for 1990 will be completed.

Estimates of the size of collective bargaining settlements will be published quarterly for private industry and semiannually for state and local governments. The program will introduce a new series that will include lump sum payments in the compensation measures. This series will be produced using data already collected in the program. The Collective Bargaining Agreement file will be maintained and updated. Current Wage Developments including information on work stoppages involving 1,000 workers or more will be published monthly. The annual Bargaining Calendar will be published.

FY 1989

The Employment Cost Index (ECI) was published quarterly and its sample replenished to offset losses of establishments that are no longer in business or refuse to cooperate, and to include new establishments. For the first time, indexes were published for colleges and universities for the civilian economy, State and local governments, and private industry, as well as for educational services for State and local governments and for private industry.

White-collar salary data from the FY 1989 PATC survey were published; the sample covered private service-producing establishments with as few as 50 employees. The results--combined with those of the FY 1988 survey and updated to March 1989 using an appropriate Employment Cost Index series--were delivered to the President's Pay Agent.

The Employee Benefits Survey, providing data on the incidence and characteristics of benefit plans in medium and large private industry firms, was conducted. Occupational Wage Surveys of 61 areas and 8 industries scheduled for 1989 were completed.

Estimates on the size of collective bargaining settlements were published quarterly for private industry and semiannually for state and local governments. The Collective Bargaining Agreement file was maintained and updated. Current Wage Developments including information on work stoppages involving 1,000 workers or more was published monthly. The annual Bargaining Calendar was published.

Activity Changes:
Built-in:

Net cost of within grade increases, merit pay increases, GS bonuses, extra day of pay annualization of the January 1990 pay raise, the FY 1991 costs of the January 1991 pay raise and increased costs of the Federal Employees' Retirement System	787,000
Increased cost of space rent	40,000
Increased cost of printing	11,000
Net cost of WCF mandatories	11,000
Increased cost of contractual services	182,000
Increased cost of supplies and equipment	12,000
Total Built-in	+$1,043,000
Net Program	+$486,000
FTE	5

Restoration of the 1990 Sequester

Proposal: To restore the FY 1990 sequester.

Rationale: This eliminates the one-time sequester of FY 1990.

Program Effect: Programs will be maintained at current levels.

Base:

FTE: 364 Estimate: $22,030,000

Program Increase:

FTE: 0 Estimate: $136,000

Improvement in Federal Economic Indicators

Proposal: The Bureau is requesting funding for a multi-activity initiative to improve Federal economic indicators.

Rationale: Findings of a review of Federal economic indicators chaired by the Council of Economic Advisers indicate that existing measures of economic performance, particularly with respect to the service sector, are inadequate.

Program Effect: In this activity, the proposal would provide for expansion and improvement of the Employment Cost Index Program as set forth in the General Statement (pages BLS 16-18).

Base:

FTE: 0 Estimate: 0

Program Increase:

FTE: 5 Estimate: $350,000

PRODUCTIVITY AND TECHNOLOGY

1990 Appropriation		1990 1/ Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
86	$5,539,000	86	$5,505,000	0	-$34,000	88	$5,887,000	2	$382,000

1/ Included in the 1990 Estimate above:
Reduction pursuant to P.L. 99-177,
-$34,000 and 0 FTE.

Introduction

The Productivity and Technology program measures productivity movements in major sectors of the economy and in individual industries; identifies the sources of productivity growth; investigates the nature of technological change and its effect on employment; and develops measures of productivity, hourly compensation, unit labor costs, and employment and unemployment for foreign countries that have been adjusted to make them more consistent with the definitions used in this country. These data are used to: (1) assess the condition of the United States economy both internally and in relation to other major industrialized countries; and (2) to formulate economic policy.

More specifically, domestic measures of output per hour of all persons in the business, nonfarm business, manufacturing, and nonfinancial corporate sectors are reported quarterly and annually. Related measures of hourly compensation, unit labor costs, unit nonlabor costs, and real hourly compensation also are reported at the same time. Measures of multifactor productivity, i.e., output per unit of labor and capital inputs combined, are published annually for major sectors. Annual measures also are developed for manufacturing industry groups at the 2-digit SIC level and for industries such as steel and automobiles. In addition, labor productivity measures are published for 171 selected industries in the mining, manfacturing, trade and services sectors. The comparative measures for foreign countries are annual averages except for unemployment, which is published quarterly. Detailed quarterly and long-term analyses of productivity performance are published regularly in the Monthly Labor Review, a BLS periodical.

In addition, this activity maintains a program for measuring annually the labor productivity in the Federal Government and in each of twenty-eight functional areas, including the Postal Service. Data are also collected on the relationship of hours at work to hours paid for employees in the business sector.

FY 1991 Budget Request

The production of core series described above will continue with the following new work.

Major sector productivity measures: Business sector multifactor productivity measures will be modified to account for the effects of changing labor composition. Measures of multifactor productivity for durable and nondurable manufacturing will be published. An article will be prepared on the sources of productivity growth during the 1980's. New multifactor productivity measures for public utilities that include capital, labor, and intermediate inputs will be developed.

Industry and government productivity measures: In line with the Bureau's effort to expand its statistical coverage of the service sector of the economy, developmental work on new service industries, such as those in health services, financial services, insurance, wholesale trade and other personal/business services, will continue. Increased funding for the FY 1991 Federal economic indicators initiative will allow for the expansion of service industry productivity measures from the current rate of two per year to four per year. In all, seven annual labor and multifactor productivity measures for additional industries will be completed.

The Federal, State, and Local Governments productivity measurement program will be continued at the same level. Technical support also will be provided to the President's productivity improvement program as requested by the Office of Management and Budget (OMB).

Technology Studies: Reports which assess the impact of technology on employment will be completed for four additional industries.

International Measures: The comparative measures of labor productivity, hourly compensation costs, unemployment, and related series will be updated and research reports related to these measures will be prepared.

Workload/Output Measures	FY 1989 Actual	FY 1990 Estimate	FY 1991 Proposal
Productivity Measures for Major Sectors			
Labor Productivity Measures			
Articles	3	2	2
Series Maintained	33,300	3,300	33,300
Multifactor Productivity Measures			
Major Studies	3	2	2
Articles	4	3	3
Special Reports	13	13	10

Series Maintained..............	76,500	76,500	76,500
Productivity Measures for Industries			
Labor Productivity Measures			
Major Studies..................	2	2	2
Articles........................	3	4	6
Series Maintained..............	34,400	34,500	34,600
Multifactor Productivity Measures			
Articles........................	1	1	1
Series Maintained..............	120	135	150
Productivity Measures for Government			
Major Studies..................	1	1	1
Articles........................	1	1	1
Series Maintained..............	16,470	16,470	16,470
Technology Studies			
Major Studies..................	4	4	4
Articles........................	1	1	1
International Comparisons			
Major Studies..................	1	0	1
Articles........................	3	4	6
Special Reports.................	18	15	15
Series Maintained..............	3,000	3,100	3,200

FY 1990

The regular output of this activity will continue together with the following new work.

Major sector productivity measures: A study of the effects of problems in measuring service sector outputs on major sector productivity measures will be published. An article describing the incorporation of hours worked survey results into productivity measures will be published. Major sector multifactor productivity measures will be developed from 2-digit SIC industry detail. A major study will be published on multifactor productivity measures for total manufacturing and 20 manufacturing industry groups. A study of the role of innovations in information technology on productivity change in various manufacturing industries will be conducted. A major study will be published on the effects of changes in the composition of labor input on multifactor productivity growth.

Industry and government productivity measures: In line with the Bureau's effort to expand its statistical coverage of the service sector of the economy, developmental work on new service industries will continue. Annual labor productivity measures for additional industries will be completed. A multifactor productivity measure for one additional industry also will be developed.

The Federal, State, and Local Governments productivity measurement program will be continued at the same level. Technical support also will be provided to the President's productivity improvement program as requested by OMB.

Technology Studies: Reports which assess the impact of technology on employment will be completed for four additional industries.

International measures: The comparative measures on labor productivity, hourly compensation costs, unemployment, and related series will be updated and research reports related to these measures will be prepared. Reports will also be issued on alternative measures for comparing unemployment, labor productivity growth in the business sector, and labor productivity and labor costs by major industry group within manufacturing. Work will continue on the development of manufacturing multifactor productivity measures for Japan and Germany.

FY 1989

Output was released on schedule and the following new work and quality improvements were completed.

Major sector productivity measures: Historical series on hours worked were prepared and incorporated into output per hour and multifactor productivity measures for major sectors. The effects of capacity utilization changes on trends in output per hour and multifactor productivity were analyzed and a research paper was prepared. A bulletin on the effects of research and development spending on productivity growth was published. A report on the effects of input substitution on manufacturing productivity was prepared.

Industry and government productivity measures: Developmental work on new measures for industries in the service sector of the economy continued; the measures for retail auto and home supply stores and wholesale scrap and waste materials were completed. Annual labor productivity measures were developed for one additional industry and developmental work on multifactor measures for the railroad transportation industry was completed. The Federal, State, and Local Governments productivity measurement programs continued at the same level. Technical assistance was provided to the President's productivity program as requested by the Office of Management and Budget.

Technology studies: Reports that assess the impact of technology on employment were completed for four additional industries.

International measures: The regular measures of labor productivity, hourly compensation costs, unemployment, and related series were updated and research reports issued. In addition, a conference paper was prepared on comparative productivity and unit labor cost trends that included new comparative labor productivity measures for 13 manufacturing industry groups for the United States, Japan, and Germany.

Activity Changes:
Built-in:

Net cost of within grade increases, merit pay increases, GS bonuses, extra day of pay annualization of the January 1990 pay raise, the FY 1991 costs of the January 1991 pay raise and increased costs of the Federal Employees' Retirement System	200,000
Increased cost of printing	1,000
Net cost of WCF mandatories	2,000
Increased cost of contractual services	40,000
Increased cost of supplies and equipment	5,000
Total Built-in	+$248,000
Net Program	+$134,000
FTE	2

Restoration of the 1990 Sequester

Proposal: To restore the FY 1990 sequester.

Rationale: This eliminates the one-time sequester of FY 1990.

Program Effect: Programs will be maintained at current levels.

Base:

FTE: 86 Estimate: $5,505,000

Program Increase:

FTE: 0 Estimate: $34,000

Improvement in Federal Economic Indicators

Proposal: The Bureau is requesting funding for a multi-activity initiative to improve Federal economic indicators.

Rationale: Findings of a review of Federal economic indicators chaired by the Council of Economic Advisers indicate that existing measures of economic performance, particularly with respect to the service sector, are inadequate.

Program Effect: In this activity, the proposal would provide for expansion and improvement of the Industry Productivity Program as set forth in the General Statement (pages BLS 16-18).

Base:

FTE: 0	Estimate: 0

Program Increase:

FTE: 2	Estimate: $100,000

ECONOMIC GROWTH AND EMPLOYMENT PROJECTIONS

1990 Appropriation		1990 1/ Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
46	$3,400,000	46	$3,379,000	0	-$21,000	46	$3,595,000	0	$216,000

1/ Included in the 1990 Estimate above:
Reduction pursuant to P.L. 99-177,
-$21,000 and 0 FTE.

Introduction

Resources for this program are used to develop information about the labor market for 5 to 15 years in the future. Information is developed about labor force trends by sex, race, and age, employment trends by industry and occupation, and on the implications of these data for employment opportunities of specific groups in the labor force, such as youth, the disadvantaged, and college graduates. Assessments also are made of the effect on employment of specified changes in economic conditions and/or changes in Federal programs and policies. The information developed by the program is used in career guidance, education planning, and policy formulation. The projections are developed within a comprehensive and integrated analytical framework that incorporates an input-output model and industry-occupation matrices that present current and projected occupational employment by industry for the entire economy. Career guidance information is prepared and published in the Occupational Outlook Handbook, Occupational Outlook Quarterly, and other special reports.

FY 1991 Budget Request

Labor force and industrial and occupational employment projections under alternative assumptions for the year 2005 will be prepared. The 1992-93 edition of the Occupational Outlook Handbook will be completed and four issues of the Occupational Outlook Quarterly will be published. Special analyses will be undertaken on issues of national concern that impact industry and occupational employment and/or matching the job skills of workers with the needs of the workplace.

Workload/Output Measures	FY 1989 Actual	FY 1990 Estimate	FY 1991 Proposal
Occupational Outlook Handbook Statements (2-year cycle).......	115	115	115

Analytical Occupational Outlook Reports	1	1	1
National Industrial-Occupational Matrices	2	2	2
Occupational Outlook Quarterly (issues)	4	4	4
Industry Projections (2-year cycle)	112	112	112
Employment Impact Publications	2	2	2
Service Sector Studies	2	2	2

FY 1990

Labor force and industrial and occupational employment projections under alternative assumptions for the 1988-2000 period will be published. The 1990-91 edition of the Occupational Outlook Handbook and the 1990 edition of Occupational Projections and Training Data will be published, and work will begin on the next edition of each. Work also will begin on developing a new set of projections of the labor force and industrial and occupational employment. Four issues of the Occupational Outlook Quarterly will be published. Special analyses will be undertaken on the child day care services industry and another growing service industry, such as miscellaneous business services.

FY 1989

Labor force and industrial and occupational employment projections under alternative assumptions for the year 2000 were revised and updated. The 1990-91 edition of the Occupational Outlook Handbook was completed and four issues of the Occupational Outlook Quarterly were published. Special analyses were undertaken on labor shortages and the occupational patterns of new entrants to the labor force. A special study on career opportunities in the field of nursing also was published. An evaluation of the 1985 labor force projections was completed and published.

Activity Changes:
Built-in:

Net cost of within grade increases, merit pay increases, GS bonuses, extra day of pay annualization of the January 1990 pay raise, the FY 1991 costs of the January 1991 pay raise

and increased costs of the Federal Employees' Retirement System	124,000
Increased cost of printing	4,000
Net cost of WCP mandatories	1,000
Increased cost of contractual services	63,000
Increased cost of supplies and equipment	3,000
Total Built-in	+$195,000
Net Program	+$21,000
FTE	0

Restoration of the 1990 Sequester

Proposal: To restore the FY 1990 sequester.

Rationale: This eliminates the one-time sequester of FY 1990.

Program Effect: Programs will be maintained at current levels.

Base:

FTE: 46 Estimate: $3,379,000

Program Increase:

FTE: 0 Estimate: $21,000

EXECUTIVE DIRECTION AND STAFF SERVICES

1990 Appropriation		1990 1/ Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
216	$22,637,000	216	$22,498,000	0	-$139,000	216	$28,077,000	0	$5,579,000

1/ Included in the 1990 Estimate above:
Reduction pursuant to P.L. 99-177,
-$139,000 and 0 FTE.

Introduction

This activity provides for agency-wide policy and management direction of the BLS. This activity also includes all centralized, Bureau-wide technical support services in the administrative, publications, and computer systems support areas, as well as the Survey Design Research Center and the National Longitudinal Surveys of Labor Market Experience, both programs in the Office of Research and Evaluation. The organizational units included in this activity are: The Office of the Commissioner, which provides overall policy direction of the agency; the Office of Administration and Internal Operations, which provides overall management direction of the agency, as well as support services in the areas of budget, personnel, management systems, administrative services and data processing systems and standards; the Office of Research and Evaluation, which is responsible for technical review and support in the areas of economic concepts, analyses, and survey design; the Office of Field Operations, which manages the regional offices through which BLS data collection and information distribution activities are carried out and the Bureau's program-related training; and the Office of Publications, which sets information and publications standards and edits and disseminates BLS publications.

FY 1991 Budget Request

Overall policy and management of the agency programs and regional activities will continue, as follows:

Administration, Management and Internal Operations: Management direction and support services--personnel, budget, survey processing, systems development, and other management services--will be provided on a timely basis. An additional support activity in FY 1991 is initiating the consolidation of all Bureau staff in Washington into one building. The General Services Administration has indicated that this consolidation will occur in FY 1992. Funding is requested to meet certain one time costs in FY 1991 and FY 1992 associated with the physical move and installations in this new office space.

Research and Evaluation will concentrate on survey design research, including computer assisted telephone interviewing and questionnaire design studies in the Survey Design Research Center. Technical assistance on quality improvements for major indicators will continue, and the National Longitudinal Surveys of Labor Market Experience will field surveys of cohorts of youth and of women in mid-career.

Field Operations: The national office staff will provide central management direction and coordination to the data collection and dissemination activities of the regional offices. Training courses and seminars will be developed and presented for program-related training. Supervisory staff in the eight BLS Regional Offices will (1) provide direction and supervision to data collection activities; (2) set up and monitor data collection schedules; and (3) assist in the resolution of collection problems. The field information staff will provide information and advice to users of BLS products.

Publications and Information will continue to provide a program for accurate and timely dissemination of Bureau statistical materials and research findings. Present production schedules for press releases on major economic indicators and other BLS publications will be maintained.

FY 1990

Bureau-wide policy and management direction will continue as will the administrative, computer system and other support services, field operations, research and evaluation, and publications activities.

In the Survey Design Research Center, staff will be using the Collection Procedures Research laboratory to investigate alternative data collection questionnaires and procedures in order to improve the quality of collected data.

In the National Longitudinal Surveys of Labor Market Experience, a youth survey will be initiated and the results of the survey of a cohort of mature women in the labor force will be processed by the Census Bureau.

Administrative support staff will develop plans for consolidation of Bureau office space in the Postal Square Building.

FY 1989

Bureau-wide policy and management direction continued as did the administrative, computer system and other support services, ongoing Field Operations, Research and Evaluation, and Publications activities.

In the National Longitudinal Surveys of Labor Market Experience, a survey of a cohort of mature women in the labor force was fielded.

In the Survey Design Research Center testing was initiated in support of the CPS Redesign.

Activity Changes:
Built-in:

Net cost of within grade increases, merit pay increases, GS bonuses, extra day of pay annualization of the January 1990 pay raise, the FY 1991 costs of the January 1991 pay raise (including Census Bureau contract cost), and increased costs of the Federal Employees' Retirement System	537,000
Increased cost of space rent	28,000
Increased cost of printing	10,000
Net cost of WCF mandatories	4,000
Increased cost of contractual services	511,000
Increased cost of supplies and equipment	41,000
Total Built-in	+$1,131,000
Net Program	+$4,448,000
FTE	0

Restoration of the 1990 Sequester

Proposal: To restore the FY 1990 sequester.

Rationale: This eliminates the one-time sequester of FY 1990.

Program Effect: Programs will be maintained at current levels.

Base:

FTE: 216 Estimate: $22,498,000

Program Increase:

FTE: 0 Estimate: $139,000

Consolidated National Office Site

Proposal: The Bureau of Labor Statistics must vacate its current space in the General Accounting Office (GAO) Building because the GAO plans to use the space for its own staff. Over the past decade, the GAO's need for additional space in its building has caused BLS staff to be dispersed among several sites. With the recent transfer of the GAO Building from GSA to GAO control and the Comptroller General's decision to complete consolidation of GAO staff in that building, a housing plan has been developed by GSA which resolves - for the long term - the long recognized need to reconsolidate BLS staff from the four sites currently occupied into a single site.

The BLS-GSA joint plan provides for the consolidation of the Bureau in the soon to be reconstructed Postal Square Building with initial occupancy scheduled for May, 1992.

The initial planning for this proposal has been concluded, a leasing arrangement proposed, and an architectural contract firm hired. The plan has a proposed 30 year lease between the Postal Service and GSA stipulating that BLS will be the principal tenant of the building. The initial phase is a very careful demolition process which will clear the interior while preserving the exterior of this historically significant building. Actual construction which includes a new interior/exterior central core will then be undertaken. Finally, the building will be furnished and equipped for occupancy.

These latter two phases naturally require a significant amount of BLS involvement. For example, the Bureau's requirements for technology and security must be considered in the specifications of the technical requirements for construction. Likewise, equipping the building will require Bureau involvement and funding.

Rationale: The Bureau is being forced to relocate its remaining staff currently housed in the GAO building which comprises approximately 50% of National Office population. The ability of the Bureau to carry out its mission would be greatly enhanced by having the National Office staff housed in a single site. The current multi-site arrangement has created serious difficulties in ensuring pre-release data security, in providing interoffice coordination and in the provision of necessary support services to program staff. While these problems have existed for sometime, they have been exacerbated in recent years given the growing sensitivity of financial markets to the release of Bureau data, and also given the recent reduction in central support staff necessary for security and other services to BLS programs. Additionally, it would be advantageous to the Government not to be forced to extend the leasing arrangement for the Bicentennial Building and Patrick Henry Building (two of the current BLS leased space holdings) since that space has never fully accommodated BLS needs. This proposal will consolidate BLS staff in a single site.

Program Effect: In FY 1991 the BLS will require funding so that it can begin to finance the costs associated with the single site which will not be met by GSA in its "build-out" of the site. The majority of costs are one time in nature and span fiscal years 1991 and 1992. The following is a brief synopsis of the major funding items:

Telecommunications and Local Area Network. In FY 1991 the BLS will require funding so that it can begin to finance the costs associated with the telecommunications requirements of the building. The new GSA standard known as the Washington Interagency Telecommunications System (WITS), which was awarded in January, 1989, will require replacement of the entire existing phone system with current technology. This in turn will also provide a single vendor point of responsibility for service and equipment. The Bureau must also purchase and install all equipment necessary to maintain and operate the Local Area Network now in operation at current BLS office locations.

Central Equipment and Facilities Purchases. Funds are required in FY 1991/92 to cover the one-time equipment costs associated with operating or installing certain building features and services at the new BLS office location. GSA requires that these costs be borne by the tenant. The costs include equipment and furnishings associated with the following facilities: employee health unit, cafeteria, day care center, mail room, physical fitness center, and training conference room facilities.

Security and Safety. At present BLS realizes substantial benefits from the security features installed by the General Accounting Office at the GAO building. BLS will have to assume overall responsibility for security at the new office location in keeping with GSA regulations in addition to the Bureau's need to maintain a secure environment for confidential records and data.

Employee Work Stations. The new office location requires the use of modular work stations to assure proper space utilization and adherence to GSA space standards. A sizeable portion of the BLS work-force utilizes equipment designed for conventional work space or modular stations which were purchased more than a decade ago and now must be replaced due to wear, damage, etc. Thus, the Bureau proposes to acquire these modular work stations in conjunction with the relocation of its staff.

Base:

FTE: 0	Estimate: 0

Program Increase:

FTE: 0	Estimate: $4,309,000

NEW POSITIONS REQUESTED

	FY 1991		
	Grade	Number	Annual Salary
Activity 1: Employment and Unemployment Statistics			
National Office			
Economist..........................	GS-11	6	$173,112
Budget Analyst.....................	GS-11	1	28,852
Subtotal........................		7	$201,964
Field Office			
Economist..........................	GS-11	2	$57,704
Subtotal........................		2	$57,704
Activity 2: Prices and Cost of Living			
National Office			
Economist..........................	GS-13	2	$82,242
Economist..........................	GS-11	5	144,260
Subtotal........................		7	$226,502
Activity 3: Wages and Industrial Relations			
National Office			
Economist..........................	GS-12	2	$69,160
Economist..........................	GS-11	5	144,260
Subtotal........................		7	$213,420

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Activity 4: Productivity and Technology

National Office			
Economist	GS-11	2	$57,704
Subtotal		2	$57,704
Total, New Positions		25	$757,294

ADVISORY AND ASSISTANCE SERVICES

Type of Services	FY 1990	FY 1991
Advisory and Assistance Services Personnel Appointments:	$ -0-	$ -0-
a. Consultants and Experts	-0-	-0-
b. Advisory Commission Members	-0-	-0-
Total	-0-	-0-

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DETAIL OF PERMANENT POSITIONS

	1989 actual	1990 estimate	1991 estimate
Executive level I..........................	0	0	0
Executive level II.........................	0	0	0
Executive level III........................	0	0	0
Executive level IV.........................	0	0	0
Executive level V..........................	0	0	0
Subtotal......................	0	0	0
ES-6......................................	1	1	1
ES-5......................................	3	3	3
ES-4......................................	10	10	10
ES-3......................................	2	4	4
ES-2......................................	2	1	1
ES-1......................................	2	1	1
Subtotal......................	20	20	20
GS-18.....................................	0	0	0
GS-17.....................................	0	0	0
GS-16.....................................	0	0	0
GS/GM-15..................................	62	62	62
GS/GM-14..................................	155	161	162
GS/GM-13..................................	303	316	317
GS-12.....................................	393	409	411
GS-11.....................................	401	424	436
GS-10.....................................	4	4	4
GS-09.....................................	180	188	188
GS-08.....................................	15	16	16
GS-07.....................................	254	265	266
GS-06.....................................	111	115	116
GS-05.....................................	197	206	206
GS-04.....................................	79	83	83
GS-03.....................................	24	25	25
GS-02.....................................	2	2	2
GS-01.....................................	0	0	0
Subtotal......................	2,180	2,276	2,294
Ungraded..................................	2	2	2
Total Permanent Positions 1/............	2,202	2,298	2,316
Unfilled Positions, end-of-year...........	(105)	(73)	(73)
Total permanent employment, end-of-year.	2,097	2,225	2,243
1/ Reimbursable positions included above	(183)	(222)	(246)

MONDAY, MARCH 5, 1990.

EMPLOYMENT STANDARDS ADMINISTRATION

WITNESSES

WILLIAM C. BROOKS, ASSISTANT SECRETARY FOR EMPLOYMENT STANDARDS ADMINISTRATION

CARI M. DOMINGUEZ, DIRECTOR, OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS

NANCY M. FLYNN, ACTING ADMINISTRATOR, WAGE AND HOUR DIVISION

JOHN R. FRASER, DEPUTY ASSISTANT SECRETARY FOR EMPLOYMENT STANDARDS ADMINISTRATION

LAWRENCE W. ROGERS, DIRECTOR, OFFICE OF WORKERS' COMPENSATION PROGRAMS

ELEANOR H. SMITH, DIRECTOR, DIVISION OF FINANCIAL MANAGEMENT

RICHARD A. STAUFENBERGER, DIRECTOR, OFFICE OF MANAGEMENT, ADMINISTRATION AND PLANNING

SAMUEL D. WALKER, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY, EMPLOYMENT STANDARDS ADMINISTRATION

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET, DEPARTMENT OF LABOR

Mr. NATCHER. At this time, we take up the requests for fiscal year 1991 for the Employment Standards Administration. We have before the Committee Mr. William C. Brooks, the Assistant Secretary for the Employment Standards Administration.

Mr. Secretary, before we take your statement, if you would tell us who you have with you at the table, please.

Mr. BROOKS. With me this afternoon, starting from my immediate right, is Cari Dominguez, Director of the Office of Federal Contract Compliance Programs (OFCCP); John Fraser, my Deputy Assistant Secretary for Employment Standards; Samuel Walker, Special Assistant to the Assistant Secretary, Employment Standards Administration; and James McMullen, Director, Office of Budget, Department of Labor. On my left, Eleanor Smith, Director, Division of Financial Management; Nancy Flynn, Acting Administrator, Wage and Hour Division; Lawrence Rogers, Director, Office of Workers' Compensation Programs; and Richard Staufenberger, Director, Office of Management, Administration and Planning.

OPENING REMARKS

Mr. NATCHER. Thank you very much, Mr. Brooks, we will be pleased to hear from you.

Mr. BROOKS. Good afternoon, Mr. Chairman and members of the Subcommittee, I am pleased to present to you the Employment Standards Administration's (ESA) FY 1991 budget request.

ESA's FY 1991 Salaries and Expenses request is for $251,374,000 and 4,053 full-time equivalent (FTE) staff years. This represents a funding increase of $5,595,000 over the comparable fiscal year 1990 level. Our central goal during FY 1990 and 1991 is to improve the quality of our enforcement and service delivery programs so that we better serve the millions of people who rely on us.

To this end, we are requesting an increase of 10 FTE and $387,000 in associated funding for the Federal Employees' Compensation program to expand its continuing efforts to foster prompt reemployment of injured workers and reduce long-term wage replacement benefit costs.

Additional funding in the amount of $260,000 is included in this request for expert witnesses and litigation support to provide effective and credible enforcement in the Wage and Hour Division and Office of Federal Contract Compliance Programs (OFCCP), as well as in the Black Lung program.

As part of the agency's continuing efforts to realize the many operational benefits of integration of ADP services, $80,000 in Information Resources Management-related funds are requested for the Longshore program to complete the transfer of computer operations to ESA regional data processing facilities.

Also, our effort to improve the quality of work life for our employees and to meet Government-wide space reduction targets lead us to request $125,000 for the Black Lung program for systems furniture purchases and purchase of telephone systems to improve claimant access to field offices.

The FY 1991 request for the Special Benefits fund is for $1,876,000,000, of which $322,000,000 is a direct appropriation to the Department of Labor. Reimbursements from other agencies are expected to total $1,579,000,000.

The fiscal year 1991 request for the Black Lung Disability Trust Fund is for $915,593,000. This amount includes $538,019,000 for benefit payments, $328,000,000 for interest payments on advances, and $49,574,000 for administrative costs. The Trust Fund will resume interest payments on advances, in fiscal year 1991, following the five-year moratorium.

Mr. Chairman, this concludes my opening remarks and my colleagues and I will be pleased to answer any questions that you or the members of the Subcommittee may have.

[The information follows:]

STATEMENT BY WILLIAM C. BROOKS
ASSISTANT SECRETARY FOR EMPLOYMENT STANDARDS
HOUSE APPROPRIATIONS SUBCOMMITTEE
FISCAL YEAR 1991 BUDGET REQUEST

EMPLOYMENT STANDARDS ADMINISTRATION
SALARIES AND EXPENSES
SPECIAL BENEFITS
BLACK LUNG DISABILITY TRUST FUND

MARCH 5, 1990

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today representing the Employment Standards Administration (ESA) of the Department of Labor.

The Employment Standards Administration's FY 1991 budget request for Salaries and Expenses is for $251,374,000 and 4,053 full-time equivalent (FTE) staff years. This represents a funding increase of $5,595,000, a 2.3 percent increase over the comparable FY 1990 level. This funding is necessary to effectively carry out the important missions mandated by the statutes and Executive Order that we enforce and administer. The staffing level reflects an increase of 10 FTE above the 1990 level for the Federal Employees' Compensation program to enhance its continuing efforts to foster prompt reemployment of injured workers and reduce long-term wage replacement benefit costs.

Additional funding in the amount of $260,000 is included in this request for expert witnesses and litigation support to ensure the effectiveness and credibility of our enforcement in the Wage Hour and Office of Federal Contract Compliance Programs (OFCCP), as well as in the Black Lung program. As part of the agency's long-term commitment to realize the many operational benefits of integration of ADP services, $80,000 in Information Resources Management-related funds are requested for the Longshore program to complete the transfer of computer operations to ESA regional data processing facilities. Also, our continuing effort to improve the quality of work life of our employees and to meet Government-wide space reduction targets leads us to request $125,000 for the Black Lung program for systems furniture purchases and purchase of telephone systems to improve claimant access to field offices.

The Special Benefits fund request for FY 1991 is for $1,876,000,000, of which $322,000,000 is a direct appropriation to the Department of Labor. The budget authority requested in FY 1991 anticipates the need for a $25,000,000 draw down in late FY 1990, against our FY 1991 appropriation, to cover the cumulative effect of increases in payments due to rising medical costs, increases in the number of injury cases being reported, and increases in the number of cases on the compensation rolls over the past several years. Reimbursements from other agencies are expected to total $1,579,000,000.

The FY 1991 Black Lung Disability Trust Fund request is for an appropriation of $915,593,000. This amount includes $538,019,000 for benefit payments, $328,000,000 for interest payments on advances, and $49,574,000 for administrative costs. In FY 1991, the Trust Fund will resume interest payments on advances following the five-year moratorium, ending in FY 1990, provided for in the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), enacted in 1986.

Our central goal during FY 1990 and 1991 is to improve the quality of our enforcement and service delivery programs so that the millions of people we deal with are better served.

The remainder of my statement will address our 1991 salaries and expenses request.

Enforcement of Wage and Hour Standards

A total of $93,017,000 and 1,548 FTE are requested for the Wage and Hour Division to enable the program to investigate complaints, carry out a directed investigation program where needed, and further promote voluntary compliance.

Vigorous enforcement of the wide range of laws that establish standards for wages and working conditions, covering virtually all private employment, will be continued. Our major objective is to achieve compliance by employers through direct enforcement activities, including resolution of complaints, and by promoting voluntary compliance through enforcement and technical assistance. Approximately 88,450 compliance actions will be completed under the wage and labor standards mandates, including the Fair Labor Standards Act (FLSA), Government Contract labor standards statutes, the Migrant and Seasonal Agricultural Worker Protection Act, various provisions of the Immigration and Nationality Act (INA), and the Employee Polygraph Protection Act of 1988. Wage and Hour will continue to monitor the workload effects of the FLSA amendments of 1989 and the Immigration Nursing Relief Act (P.L. 101-238) to determine any operational impact on our overall enforcement.

Federal Contractor EEO Standards Enforcement

A total of $53,645,000 and 968 FTE are requested for the Office of Federal Contract Compliance Programs (OFCCP) to carry out and improve its directed enforcement programs and investigate and resolve complaints on a timely basis.

We will continue to pursue our mission to assure equal employment opportunity by Federal contractors by enforcing the contractual obligations imposed by Executive Order 11246, Section 503 of the Rehabilitation Act of 1973, 38 U.S.C. 2012, and the employment eligibility provisions of the INA. OFCCP's major goal is to improve the quality of its investigations by ensuring consistent application of established policies and procedures throughout the program, resulting in increased job opportunities for covered workers. This objective will be achieved by improving the compliance review process, resolving complaints promptly, and continuing staff training and development. OFCCP will conduct 6,150 compliance reviews under the Executive Order and the handicapped and Vietnam veterans' mandates. Complaints will continue to be processed on a current basis with over 1,000 complaints investigated and resolved.

Federal Programs for Workers' Compensation

In the Workers' Compensation programs, our fundamental responsibility is to ensure that the interests of claimants, employers, and the Federal government are properly protected throughout all stages of the claims management process, including the adjudication and processing of claims for compensation, medical, and other benefits provided by the Acts. Our major focus remains prompt adjudication and payment of claims while maintaining a high degree of accuracy, fiscal integrity, and quality constituent services.

Federal Employees' Compensation Act

A total of $52,513,000 and 888 FTE are requested to administer the Federal Employees' Compensation Act (FECA) program to assure timely and fair payment of compensation, continuing improvements to avoid the interruption of income to injured employees, and early return-to-work and rehabilitation where appropriate. Resources requested include an additional 10 FTE and $387,000 in associated funding to expand efforts and demonstrate new techniques to foster the prompt reemployment of injured workers and reduce long-term wage replacement benefit costs.

A major focus for FY 1991 will be in implementing new disability management techniques, integrating the work of claims examiners and rehabilitation staff, to improve services to injured workers while addressing compensation and medical costs by more aggressively managing claims after adjudication. These techniques will provide more continuous monitoring and appropriate services from the point of accepting a claim through the injured employee's return to work. As an adjunct to these efforts, the program will continue development of FECA automation capabilities in its case management and financial management systems.

Longshore and Harbor Workers' Compensation Act Program

A total of $9,142,000 and 142 FTE are requested for the Longshore and Harbor Workers' Compensation Program to maintain and improve the accuracy and timeliness of claims processing activities.

Enhanced fiscal monitoring of the Special Fund also remains a program priority. Emphasis will continue on improving claims processing and adjudication services, and conducting a comprehensive technical assistance program for employers, insurance carriers, and covered employees. The Longshore program will also continue improvements to its rehabilitation and medical bill payment systems.

Black Lung Program

Resources requested for the Black Lung program are for $28,270,000 and 316 FTE needed to effectively manage the program's declining caseload. The Black Lung program will maintain prompt adjudication of claims, continue efforts to achieve the highest possible level of accuracy in income maintenance and medical care benefit payments, and further improve effective management of its debt portfolio.

Executive Direction and Support Services

A total of $14,787,000 and 191 FTE are requested to provide administrative guidance, oversight, and support services to the agency's program activities. Increased emphasis will be placed on strategic planning and policy management to ensure that major initiatives are accomplished effectively. Four basic strategies for providing leadership on ESA's quality improvement efforts will be continued: (1) promoting employee involvement in identifying and implementing opportunities for further improvements; (2) broadening the use of new technology to improve delivery of services; (3) simplifying work processes and requirements while improving the quality of agency products and services; and (4) improving the organizational structure, where appropriate. Pilot projects implementing "Total Quality Management" concepts will be continued and expanded.

Conclusion

Mr. Chairman, this concludes my formal statement. This budget request reflects our commitment to using our resources to effectively protect the interests of American workers while keeping the costs for the delivery of these needed services as low as possible. My staff and I will be pleased to answer any questions that you or the members of the Subcommittee may have.

Biographical Sketch

WILLIAM C. BROOKS

Assistant Secretary for Employment Standards

Employment Standards Administration
Department of Labor

William C. Brooks was nominated by President Bush on June 8, 1989, and confirmed by the Senate on July 27, 1989 to be the Assistant Secretary for the Employment Standards Administration, the largest agency in the Department of Labor comprised of the Office of Federal Contract Compliance Programs, the Office of Workers' Compensation Programs, and the Wage and Hour Division. He is responsible for laws and regulations setting employment standards for most U. S. workers, providing workers' compensation benefits to certain employees injured on the job, and requiring nondiscrimination and affirmative action by Federal contractors and subcontractors to assure equal employment opportunity.

Prior to his appointment, he was an executive with the General Motors Corporation for 16 years. During his tenure with General Motors, he held numerous executive positions, the most recent was Corporate Executive Director of Personnel Administration.

Prior to joining General Motors in 1973, Mr. Brooks held positions in the Office of Management and Budget, Department of Defense, Department of Labor, and the Department of the Air Force.

Mr. Brooks earned a Bachelor of Arts degree from Long Island University, and a Master's degree in Business Administration from the University of Oklahoma. In April 1985, he completed the Harvard Business School's Advanced Management Program, In May 1987, Mr. Brooks was awarded an honorary Doctor of Humane Letters degree from Florida A&M University.

Mr. Brooks has been cited nationally for his many years of community involvement. Some of his involvement has been: Chairman of the Board of 70001 Training and Employment Institute; member of the Board of Directors of the Detroit Urban League; member of the Board of Directors of Harvard Business School Club-Detroit; Vice-Chairman of the Employment/Economic Action Committee of New Detroit, Inc.; member of the Board of Directors of the Dayton, Ohio Urban League; National President of the National Black MBA Association; and a member of Kappa Alpha Psi Fraternity.

Mr. Brooks is the recipient of numerous awards and honors, including the National Black MBA Association's "Outstanding MBA of the Year" in 1980; the National Black MBA Association's "H. Naylor Fitzhugh Award of Relevance" in 1987; and in 1988, he was presented with the Detroit City Council's "Recognition Award," as well as the "Spirit of Detroit" award.

ASSISTANT SECRETARY APPOINTMENT

Mr. NATCHER. Thank you, Mr. Brooks.

Now if you will, tell us how long you have been on board now as Assistant Secretary.

Mr. BROOKS. I was confirmed by the Senate July 27, 1989. I was sworn in on August 7 to start work.

Mr. NATCHER. What is your employment background prior to this assignment, Mr. Brooks?

ASSISTANT SECRETARY BACKGROUND

Mr. BROOKS. I served a number of years as an Air Force officer. I worked with the government here in Washington in the Department of Labor, Department of Defense, and the Office of Management and Budget, prior to being recruited by the General Motors Corporation, where I served for 16 years, my last job being Executive Director of worldwide personnel for them prior to being recruited by Secretary Dole and President Bush.

MANAGEMENT/ORGANIZATIONAL CHANGES

Mr. NATCHER. Have you made any significant management or organizational changes in the agency since taking office?

Mr. BROOKS. Yes, two significant ones. One is the establishment of the Office of Policy Management and Analysis, an office which will provide me with an improved ability to do some long-range planning and to really get a handle on how we manage our activities in ESA.

Secondly, two weeks ago on February 23, I made an announcement that I will be making a significant organizational change effective April 1, and that is the elimination of 10 Regional Administrator positions for Employment Standards Administration and one Deputy Assistant Secretary.

The reason I have done that is to be able to have greater accountability, better communications, and I think for people like Director Dominguez, and Acting Administrator Flynn and Director Rogers, they will then have a direct line to their people in those 10 regions rather than having a filter there, so that we can, I believe, carry out our responsibilities in a much swifter manner.

AGENCY OBJECTIVES

Mr. NATCHER. Are there any additional principal objectives now for the agency during the coming fiscal year? Are there any that you can cite at this time?

Mr. BROOKS. The overriding objective we have is to be sure we are firmly and fairly enforcing all the laws that we are responsible for. We want to make a smooth implementation of the new training wage. We are going to aggressively enforce child labor laws and the farm labor laws.

In OFCCP, we are going to be further involved in staff activity, especially because 40 percent of the Equal Opportunity Specialists have fewer than 18 months of service. We want to strengthen our communications and continue enforcement there.

The one big thing we want to do in OWCP is to emphasize rehabilitation more—and we have asked for 10 FTEs in the budget. We feel as time goes on, the Federal Employees' Compensation Program's costs are escalating, and we have to pay a lot of attention to rehabilitating and getting injured workers back to work.

TOP MANAGEMENT POSITIONS

Mr. NATCHER. Are all the top management positions in the agency filled at the present time?

Mr. BROOKS. There is one position, the Administrator of the Wage and Hour Division, that is not filled at this time.

FY 1991 BUDGET REQUEST

Mr. NATCHER. As you know, your salaries and expenses budget request for 1991 is $251,374,000, including trust funds, about a 2 percent increase over 1990. Will this budget be completely adequate for the agency or do you have some areas where you will be a little short?

Mr. BROOKS. No, I think the budget will be adequate for our agency.

MANDATORY INCREASES

Mr. NATCHER. Are your so-called built-in increases fully covered or were you required to partially absorb some?

Mr. BROOKS. We have partially absorbed some.

FY 1991 PAY RAISE

Mr. NATCHER. How much have you budgeted for the 1991 pay raise and how much of the total does that represent?

Mr. BROOKS. The amount budgeted for the pay raise is $1,900,000. That is for the 3.5 percent pay raise to become effective in January 1991.

Mr. NATCHER. Are you going to absorb it all?

Mr. BROOKS. 50 percent will be absorbed and the other 50 percent we will have in the budget.

FY 1990 PAY RAISE COST

Mr. NATCHER. What is the cost of the 1990, the most recent pay raise, the total cost?

Mr. BROOKS. The 1990 pay raise cost is $3,982,000.

Mr. NATCHER. What actions are you taking to absorb this cost?

Mr. BROOKS. Well, we have had to look at our entire budget, for example, travel, PCS, ADP. We have learned how to better manage these areas and we will be able to absorb that.

ENFORCEMENT AND ADJUDICATION STAFF

Mr. NATCHER. For the record, if you will, provide a chart showing for the past five fiscal years the numbers of, one, wage and hour compliance officers; two, contract compliance equal opportunity specialists; and three, the numbers of claims examiners for each of the three compensation programs. Will you place that in the record for us?

Mr. BROOKS. Yes, sir.

[The information follows:]

EMPLOYMENT STANDARDS ADMINISTRATION

[Employment, fiscal year 1985-1991]

	1985 actual	1986 actual	1987 actual	1988 actual	1989 actual	1990 estimate	1991 estimate
Compliance Officer	950	908	951	952	970	1,057	1,057
Equal Opportunity Specialists	441	427	488	514	587	585	585
Claim Examiners	575	489	494	494	526	523	523
FECA	366	305	309	306	335	350	350
Longshore	49	44	51	50	54	51	51
Black Lung	160	140	134	138	137	122	122

EMPLOYMENT AND CEILINGS

Mr. NATCHER. How many total employees are now on board in the agency? What is your total?

Mr. BROOKS. We had 4,105 ceiling employees in the agency, as of January 31, 1990.

Mr. NATCHER. What are your full-time employee ceilings for 1990 and 1991?

Mr. BROOKS. The ceilings are 4,043 for 1990 and 4,053 for 1991.

ADDITIONAL OWCP STAFF

Mr. NATCHER. Why do you need 10 additional full-time employees in the Office of Workers' Compensation programs?

Mr. BROOKS. Those 10 FTE in Workers' Compensation will be used in the rehabilitation program. As I mentioned earlier, that is an area where we feel we have a great need because of the escalating cost of Workers' Compensation. We feel that with this assistance we can get people back to work earlier.

An earlier intervention model is being piloted in three of our regions. If it is successful, and we think it will be, it can point us in the right direction in returning people to work. All the Federal agencies, especially the Post Office, Tennessee Valley Authority, and the Navy within DOD have been concerned about their escalating costs. We think that these 10 people, used in a demonstration model, will help us during the next year figure out a way to deal better with rehabilitation.

Mr. NATCHER. Do you plan to expand this effort in future years?

Mr. BROOKS. If it is as successful as we hope it to be, then we will.

FECA AUTOMATION EFFORTS

Mr. NATCHER. Bring us up to date on your automation efforts on the Federal Employees' Compensation Program and tell us where you stand now.

Mr. BROOKS. I would like to have Mr. Rogers address that.

Mr. NATCHER. All right.

Mr. ROGERS. Mr. Chairman, just last week we actually saw a demonstration of the new system. We have it operating in our office in Dallas. We have the hardware in place and the software has been written. We were able to see the system at work. We now are on a schedule that calls for the next installation to be in the Washington, D.C. office toward the end of April or the early part of May. We will continue on a monthly schedule through all of our offices and have everything completed, if all goes well, by November of this year. So we are now very close to having a new ADP system.

It is not just for the FECA program. It is for all the ESA programs. We will be bringing in the Longshore program, Wage and Hour, OFCCP, and potentially others. It is a comprehensive system we are installing.

Mr. NATCHER. How much are you budgeting for ADP activities of all kinds throughout the entire agency for 1990 and 1991?

Mr. ROGERS. In order to be accurate we would like to provide that for the record.

[The information follows:]

Employment Standards Administration

Budget Estimates for Automation Activities

Fiscal year	*Amount*
1990	$23,213,000
1991	22,228,000

ESA AUTOMATION EFFORTS

Mr. NATCHER. Are you generally satisfied now, Mr. Brooks, with the automation capabilities of the agency or are there areas that still need substantial improvement?

Mr. BROOKS. We are generally satisfied. There are areas that we think could stand improvements. When we look at the budget in the total context, we have had to make some hard decisions. Within that framework, we are satisfied.

Mr. NATCHER. Mr. Conte, I yield.

ENFORCEMENT STAFF

Mr. CONTE. Thank you, Mr. Chairman. Once when Leo Durocher was playing an exhibition game at West Point somebody yelled, "Durocher, how did a squirt like you get into the major leagues?" He replied, "My Congressman appointed me." That is certainly not the story with you. After reviewing your excellent credentials, we know you got here the hard way, you earned it. We are glad to have you with us.

This year OSHA and Pensions have requested more enforcement staff. You are not requesting staff. Please express your thoughts on the quality versus quantity issue.

Mr. BROOKS. As I have looked over this agency in the last six months I have a couple of concerns. One is that it is a very efficient agency. I am not too sure if we are as effective as we should be, that is, are we doing the right things? I am a strong believer in quality versus quantity. I guess part of it is my background in the sense that I have to ask whether we are too numbers-driven. I think we are.

I think in particular, for the enforcement agencies, how well they are doing is shown by how many reviews or complaints that they have closed during the year. That is not without regard to the quality of those actions. Our people I think operationally often conduct themselves based on volume. I have not been able to identify areas where just throwing people or more money at the problem will help us solve it. I would like for us to look more at the issue of quality reviews, quality cases, situations where we are sure that we have built the best cases, rather than rushing through a case just to make sure we have a check mark on the wall.

I did visit an office last week in San Diego and gave an award to the district office of the year in that particular region. They were running their business based on quality versus quantity. I believe I would like to have a chance to look at this for a year or so and make sure that we are really utilizing the brains of all our people.

In fact, in my reorganization one of the things we are trying to do is empower people through the agency to get involved and utilize all their talents.

Mr. CONTE. Can we expect to see more of your quality approach in next year's budget?

Mr. BROOKS. I hope to have a couple of examples in next year's budget. I hope that as we move through this process we will be able to justify our increases in budget not based on the number of compliance reviews or investigations that we have done, but based somehow on another factors, and that is the quality of those actions.

SUBMINIMUM WAGE FOR YOUTH

Mr. CONTE. The 100th Congress passed legislation providing for a 90-day subminimum wage for workers aged 16 to 19. How do you plan to monitor the effect of the new subminimum wage law on workers?

Mr. BROOKS. That is an additional 90 days with another employer. We have just published those rules in the Federal Register on March 1, 1990. Basically, we will keep it very simple. There will be a training plan, that the employer will be required to complete and communicate to the employee with some completion date. If there is a complaint, our investigators will be able to go in and take a look at the plan, and talk to the employee and see if the plan was in fact followed.

EFFECT OF SUBMINIMUM WAGE ON JTPA PROGRAMS

Mr. CONTE. Will you be looking at what effect the subminimum wage provision has on the targeted job tax credit and on-the-job training programs under JTPA?

Mr. BROOKS. I will refer that to Nancy Flynn.

Ms. FLYNN. We will take a look at the impact on those two programs. We have had some preliminary discussions with our Solicitor's Office about whether or not the training wage is applicable to that program. It is something we are looking into right now.

ADMINISTRATION OF THE FAIR LABOR STANDARDS ACT

Mr. CONTE. The Fair Labor Standards Act was enacted in 1938. It has been frequently amended and many provisions of the Act are very complex and very unclear. Is the Department doing anything to simplify the administration of the Fair Labor Standards Act?

Mr. **Brooks**. Well, I think the recordkeeping, you just start there, is what we generally rely on. The employers normally do a good job of maintaining them. I think we also have to provide some public information and technical assistance to employers in order to help us in the future. We are really going to get into this with the new training wage where we are going to go out and make sure especially the smaller business people have a good understanding of what is required of them under the Fair Labor Standards Act.

Mr. **Conte**. Some folks believe that since the Fair Labor Standards Act is cumbersome, it also must be terribly costly. Has the Department undertaken any studies to see if the cost-effectiveness of the Act can be improved without compromising workers?

Mr. **Brooks**. We have not undertaken a study.

SANCTIONS AGAINST FLSA VIOLATORS

Mr. **Conte**. The Department can take two kinds of action against fair labor law violators; they can sue for back wages and liquidated damages, or secondly, apply criminal sanctions. How well do these sanctions work? Do you need stronger tools to enforce the law?

Mr. **Brooks**. I think we have done a good job in terms of getting back wages and liquidated damages. Most back wages are obtained administratively. We believe the tool of criminal enforcement perhaps is one that we should look at a little more.

We have a review of all our enforcement efforts going on. Within the next couple of months, we will have all our people in ESA enforcement in a conference to see if we are utilizing all the tools available to us. I don't think we are utilizing all of them at this point.

CHILD LABOR VIOLATIONS

Mr. **Conte**. In recent years the violations of the child labor provisions of the Fair Labor Standards Act have skyrocketed. Your justifications say you think the violations will remain high. How do you explain the growth in violations?

Mr. **Brooks**. I think to put that in proper perspective, we have gone from some 9,000 child labor violations in 1983 to nearly 23,000 in 1989. I think the reason for the escalation is not as some people would characterize it today, that we are back to the 1930s or Harvest of Shame. I reject that. I think two things have happened; one is that we are having some demographic changes.

My friend Dr. Janet Norwood, who preceded me here today, will tell us that in the year 2000, there will be 2 million fewer 16- to 24-year-olds. In the Northeast, in your area of the country, the unemployment rate was lower, so the employers went to this market, the 14- to 15- or 16- to 17-year-olds. That is one point.

The second point that I have heard increasingly, as I have traveled around the country is from educators saying, "You know, we have a lot of people sleeping in class because these kids are working too late at night." It is because of these circumstances that we have the increase; 65 percent of the 23,000 violations were hours-worked violations, so they are not as egregious as one might think.

We are going to use the existing compliance officers that we have, to target those areas better and make sure we are working smarter on how we identify and deal with child labor. It is a serious problem in my opinion.

FEDERAL/STATE COOPERATIVE ENFORCEMENT

Mr. CONTE. The Federal and state governments both share a responsibility for protecting minors. How does the Employment Standards Administration coordinate enforcement activities with the state labor departments?

Mr. BROOKS. We have cooperative agreements with some 30 states today where we share and work on that. The most recent is the state of New York, where we have a Memorandum of Understanding signed last month, particularly on child labor, to work with each other and make sure we are not doing duplicative investigations.

Secondly, we have a clearinghouse where data are forwarded to us and we send it to the states on child labor violations, especially door-to-door candy sales. I think people should realize, it is very innocent, a young kid comes to your door and has a nice well-scrubbed face and offers to sell you candy. Those kids are taken to the neighborhoods in a van and put out on the street. That is a violation of the law. Maryland has done a fine job in working on that.

ESA/OSHA COOPERATIVE ENFORCEMENT EFFORTS

Mr. CONTE. ESA and OSHA both enforce laws that affect children. To what extent do you share information with OSHA?

Mr. BROOKS. A little, not nearly as much as we should. I have formed a task force where we have invited OSHA and the Bureau of Labor Statistics, Dr. Norwood and others, and we are going to start sharing data to help both ESA and OSHA make sure that we are directing our activities to those areas where labor standards violations are most likely to exist.

BAN ON INDUSTRIAL HOMEWORK

Mr. CONTE. During the past decade the ban on industrial homework has gradually been lifted and replaced with a certification system. The ban was originally imposed because the labor standards couldn't be enforced. What evidence do you have that you are effectively enforcing the standards?

Mr. BROOKS. Sam Walker can answer that.

Mr. WALKER. We have set up certification systems in the knitted outerwear and the handkerchief, buttons, mittens, embroideries and the nonhazardous jewelry industries. It has been the Department's judgment that a certification system as opposed to an outright ban is better to enforce among these homeworkers. We think the recent court decision upholding the Department's regulations bears that out.

It has been our strong sense because of a close monitoring of homeworkers in these industries that—as mandated by regulations—we are promoting compliance in these industries where there is certification. We will continue to closely monitor that information as it comes in.

Mr. CONTE. What impact have the homeworker certifications had on your budget and staffing?

Mr. WALKER. The total impact has been some 59 FTE, an additional 20 in 1989, nine in the FY 1988 base and an additional 30 in fiscal year 1990. That has been the impact.

Mr. CONTE. Your justification says that you expect to do 2350 homework inspections next year. Will this budget allow you to effectively conduct those inspections?

Mr. BROOKS. Yes, we believe it will.

Mr. CONTE. Thank you.

REDUCTION IN BUDGET FOR AUTOMATION ACTIVITIES

Mr. NATCHER. On page 45 you show a $1,000,000 budget reduction for automation activities. Why is this being proposed and what effect will this have?

Ms. SMITH. As you know, we had to take reductions in this budget. It was a very hard thing to do. We went through all of our object classes and the ADP budget was one area where we found that we could take reductions spread among all the programs, taken together as a large amount but spread over all the programs it should not affect the ADP operations.

Mr. NATCHER. What effect will this have on the operation of the agency?

Ms. SMITH. It should not affect the operation.

Mr. BROOKS. As I indicated earlier, Mr. Chairman, it was a hard choice, but as we move through time, we are continuing to make enhancements, but it will not affect our day-to-day operation.

POSTAL SERVICE REIMBURSEMENT

Mr. NATCHER. You have had some difficulty in recent years with the Postal Service reimbursement for the Federal Employees' Compensation Act. Where does that situation stand at the present time?

Mr. ROGERS. Mr. Chairman, the Postal Service, as you know, usually requested appropriations for work injury costs for cases filed pre-1972 from the Postal Service Committees. For several years the Committees did not approve that appropriation, accumulating to about $151,500,000. Basically, what we have been doing is absorbing that within our own appropriation or drawing down from the upcoming year to pay for it. The budget we are presenting in 1991 tries to bring that even. Postal is now getting that appropriation for current and future years as they are supposed to, and we think we will get that corrected with this particular appropriation.

Mr. NATCHER. How much money does the Postal Service owe?

Mr. ROGERS. It was $151,500,000 that they did not pay during that period.

APPROPRIATION BILL LANGUAGE CHANGE

Mr. NATCHER. Explain to the Committee the new bill language that you are proposing in the special benefits account. Is this necessary?

Mr. ROGERS. Yes, sir. There are actually two proposals in the appropriation. One is to change the drawdown date. Currently, it is

BLDTF FINANCIAL STATUS

Mr. **Natcher**. How much will the Black Lung trust fund pay in interest in 1991?

Mr. **Rogers**. $328,000,000.

Mr. **Natcher**. What is the total outstanding debt of the trust fund?

Mr. **Rogers**. Currently $3,049,000,000.

Mr. **Natcher**. How much in the further way of advances to the trust fund will be required in 1991?

Ms. **Smith**. $33,000,000 is required for a total of $361,000,000.

Mr. **Natcher**. Is there any prospect of this trust fund ever becoming self-supporting as envisioned in the original law?

Mr. **Brooks**. It is very doubtful. I could have Mr. Rogers give a quick scenario here.

Mr. **Rogers**. If the current tax stayed in place, and currently it is scheduled to stay in place through 2013, we have forecast that the fund would finally be solvent in the year 2031. I say "if" because the tax is scheduled to revert to 50 cents a ton and 25 cents a ton in the year 2014. If that happens the fund will never be solvent.

OFCCP EQUAL OPPORTUNITY SPECIALISTS

Mr. **Natcher**. How many trained investigators are on board in the Office of Federal Contract Compliance Programs?

Mr. **Brooks**. How many in the field? Our ceiling is 585.

Mr. **Natcher**. How many do you have currently on board?

Mr. **Brooks**. 564.

Mr. **Natcher**. What staff level do you expect to maintain in 1991?

Mr. **Brooks**. In the field, we expect to maintain 585.

OFCCP REDUCTIONS

Mr. **Natcher**. On page 30 you show a cut of $833,000 in this office for 1991. Why are you proposing this and what impact will it have generally on the enforcement activities?

Mr. **Brooks**. In the OFCCP?

Mr. **Natcher**. Yes, on page 30.

Mr. **Brooks**. It will not have an impact. The workload stays the same. It is just a reduction in dollars. Here is a case where the hard judgment was made to slow down in areas of PCS moves and travel and transportation. We made the choice of doing it there rather than with the FTE.

EXPANDED CHILD CARE ENFORCEMENT

Mr. **Natcher**. The Secretary has announced an expanded enforcement initiative with respect to child labor violations. We see on page 19, however, that you expect the amount of child labor penalties collected to actually drop from $1,600,000 in 1990 to $1,275,000 in 1991.

How does this happen in light of the Secretary's expanded initiative in this area? How do you justify this?

Mr. **Brooks**. There are a couple of things. One, we are just at this time, really subsequent to this submission, going into our new civil money penalties or new fine structure.

In addition to that, we have a new sharing of the civil money penalties. Part of that is now going to the Solicitor's Office where in the past it all came into our activities in terms of collections. The Solicitor does a yeoman's task in terms of helping us in this area. So, we thought it was only fair that they shared these collections.

EFFECT OF MINIMUM WAGE INCREASE ON WORKLOAD

Mr. **Natcher**. Will the new increase in minimum wage have any effect on your workload generally?

Mr. **Brooks**. It should have because, in the past, any time there was a major change in FLSA there was some shift. We are not aware of what it will be. We are studying it but we are not in a position to estimate how much it will be.

IMPACT OF BUDGET REDUCTIONS ON COMPLAINT INVENTORY

Mr. **Natcher**. On page 19 you show the complaint inventory going up by a significant amount in 1991. In light of that does it make sense to propose the wage and hour budget reductions that you are showing on page 23 and 24?

Mr. **Brooks**. The inventory is going up to 27,000. We expressed, in that number, the increase in violations because of the minimum wage. As I said earlier, we just have not been able to decide in any definitive way how much that is going to affect our workload.

Mr. **Natcher**. Mr. Conte, I yield to you.

ADMINISTRATION OF DAVIS-BACON AND RELATED ACTS

Mr. **Conte**. How much does it cost the Department to administer Davis-Bacon and Related acts?

Ms. **Flynn**. In FTE costs, we estimate approximately $12,000,000 annually including the wage determination program.

Mr. **Conte**. Since the 1960's, there have been several attempts to modify the Davis-Bacon Act and its related procurement labor statutes. In an effort to reduce procurement costs the Reagan Administration instituted some reforms of Davis-Bacon. What evidence do you have that those reforms made Davis-Bacon more cost-effective?

Mr. **Brooks**. I have not seen any evidence at this point.

ADDITIONAL FECA STAFF

Mr. **Conte**. For the FECA program you are requesting an increase of $387,000 and 10 additional employees. They will be used to demonstrate some new claims management techniques that will result in cost savings. What kind of a savings can we expect?

Mr. **Brooks**. We believe that with the increase of 10 employees we will have 120 additional people rehabilitated. For each rehabilitation, in which the worker is reemployed without loss of earnings, we think we are saving $20,000 on the average, in the first full year after benefits cease. So for those 10 people, we have estimated savings of $1,200,000 in FY 1991 if those people do the job we think they will do.

Mr. **Conte**. We will ask you that question next year.

Mr. **Brooks**. Fine. We hope it is a bigger number.

STATUS OF FECA AUTOMATED SYSTEMS

Mr. **Conte**. FECA has been working on its automated case management, medical bill payment and financial management system. Can you tell us what the status of their effort is today?

Mr. **Rogers**. We have been working hard on this for the last three years trying to get our system reautomated. We have computers in the offices but they were bought about 15 years ago. They really need updating desperately to keep abreast of modern requirements.

We have just passed a point of demonstration and we are starting into the implementation phase which we hope to finish up in November, if all goes well with an ADP program like this. Our people are very eager to get it and we are very pleased with what we have seen.

EXPERT WITNESSES AND LITIGATION SUPPORT

Mr. **Conte**. Mr. Brooks, you are requesting an increase of $260,000 to pay for expert witnesses and to provide litigation support for the Wage and Hour, Contract Compliance and Black Lung programs. How many expert witnesses do you use each year?

Ms. **Dominguez**. OFCCP uses an average of about five. Essentially it is for cases involving pattern and practices of discrimination and also complaints relating to individuals with disabilities. We need to retain medical experts to testify at these hearings.

Mr. **Conte**. Do you have any data showing how much money has been saved by using these expert witnesses?

Mr. **Brooks**. I don't think we have any. You know what happens is we are getting more complex cases and larger cases and in order for us to litigate these cases, we have to use expert witnesses, especially in OFCCP, because it is data automated.

If we are going to be able to pursue some of these cases—because what happens, you don't know what type of expert witnesses you are going to need and how many until you get the case.

We have no idea about the cases at this point. But we do know we want to focus on some larger cases, more significant cases, and that the way of the world today is expert witnesses are always needed.

We believe that black lung is a case in point. The fact that we have not had expert witnesses in the past has hurt us in making our cases in the court.

BLACK LUNG FURNITURE AND EQUIPMENT INCREASE

Mr. **Conte**. Speaking of black lung, I notice in that account you are asking for $125,000 for furniture and telephones. Your case load statistics indicate that things are tapering off a little. Why do you need new furniture?

Mr. **Brooks**. That is correct. This is a quality of work life issue, the caliber of furniture and material in those offices today is deplorable. We just have to get these people new furniture as we move forward.

BLDTF ADMINISTRATIVE EXPENSES

Mr. CONTE. The black lung trust fund pays all costs incurred by Labor, Treasury, Health and Human Services, in running the black lung program. For the record, how much does each department collect?

[The information follows:]

EMPLOYMENT STANDARDS ADMINISTRATION

The administrative expenses for the Black Lung Disability Trust Fund totals $49,574,000 in FY 1991, which is split between the Department of Labor ($48,818,000) and the Department of the Treasury ($756,000). Included in the Department's expenses, $503,000 is budgeted for payment to the Social Security Administration in the Department of Health and Human Services, for the cost of claims intake.

Mr. CONTE. You are requesting $14,800,000 for executive direction and support services. You mentioned improving the organizational structure wherever appropriate is one of your goals. Have you started that?

Mr. BROOKS. Yes.

Mr. CONTE. Is it the same thing you told me before?

Mr. BROOKS. Right.

SPACE RENTAL INCREASE

Mr. CONTE. For EDSS, you have a built in increase of $99,000 for space rental. Are you going to the moon?

Mr. BROOKS. No, we are not going there but I tell you all our programs are showing increased costs for space. As I move around the country, I see our people are getting less space for more dollars. Rent is a very expensive proposition these days.

Mr. CONTE. Thank you, Mr. Brooks. Thank you for your testimony.

Mr. NATCHER. Mr. Brooks, we want to thank you and your associates for appearing before our Committee at this time on behalf of your budget requests for fiscal year 1991. We want to wish you the best of everything, Mr. Brooks. It has been a good hearing.

Mr. BROOKS. It is a pleasure to be here, Mr. Chairman. Thank you, Mr. Chairman.

[The following questions were submitted to be answered for the record and the justifications follow:]

HOMEWORKER ENFORCEMENT

Mr. Natcher: How much emphasis are you placing on industrial homeworker enforcement?

Mr. Brooks: The homeworker enforcement program is one of our top priorities. We requested and received 50 additional enforcement FTE in order to effectively enforce the provisions of the Fair Labor Standards Act with respect to employers of homeworkers. With the additional staff received in FY 1989 (20) and FY 1990 (30), the Wage and Hour Division now has sufficient enforcement FTE to investigate all newly certified employers on a regular cycle; to investigate more frequently those employers found in violation; and to carry out a directed enforcement program to investigate homeworkers who may be operating illegally.

Mr. Natcher: Have you issued all the regulations that you plan to in this area?

Mr. Brooks: In December 1988, the Department published a Federal Register notice scheduling public hearings on the issue of lifting the prohibition on homework in the women's apparel industry. Hearings were held in seven cities around the country to gather information about the characteristics of this industry and the kinds of enforcement mechanisms that might be appropriate to include in any new regulation for the industry.

No decisions have been made on whether to issue a new regulation for this industry.

Mr. Natcher: Are there any court challenges still pending to your regulations?

Mr. Brooks: No. The International Ladies' Garment Workers' Union and others filed a lawsuit to enjoin the implementation of final rules, published in November 1988, which establish a certification program for homework in six industries. In December 1989, the District Court upheld the final rule, and the plaintiffs did not appeal the decision.

ENFORCEMENT OF GOVERNMENT CONTRACT LABOR STANDARDS

Mr. Hoyer: The Wage and Hour Division is responsible for monitoring and compliance in the area of Government contract labor standards. Can you explain the process by which a complaint may be lodged by the employee of a firm that may be in violation of wage practices while under contract to a Federal agency?

Mr. Brooks: Employees of a government contractor may file complaints directly with the Wage and Hour Division, or with the contracting agency in the case of construction contracts subject to the Davis-Bacon Act (DBA) prevailing wage requirements. Under Reorganization Plan No. 14, the contracting agencies also have responsibility for the enforcement of the DBA prevailing wage requirements. Employees are requested to provide information on their employment (job title, period employed, hours worked and wages paid, etc.); the nature of the firm's business (construction or services); the location of the government contract; the Federal contracting agency involved; and the nature of the alleged violations.

Mr. Hoyer: How long does it now take and how long should it take to resolve such a complaint?

Mr. Brooks: The Wage and Hour Division generally conducts full investigations to determine compliance with the government contract statutes. Therefore, the amount of time required to resolve a particular complaint varies and is dependent upon a number of factors, including: the number of government contracts on which the firm has performed during the investigation period; the number of employees involved; and the nature of the alleged violations. Those investigations which disclose a multitude of violations affecting a large number of employees on many government contracts may require a substantial period of time to complete the fact-finding process.

If a contractor disputes the investigation findings, the Wage and Hour Division is required to offer the contractor an opportunity to appeal the findings. Under the McNamara-O'Hara Service Contract Act, contractors may request a hearing before an administrative law judge (ALJ) with a right of further appeal to the Board of Service Contract Appeals. Under the Davis-Bacon and related Acts (DBRA), contractors may either appeal the investigation findings to an ALJ if factual issues are in dispute, or petition the Department of Labor's Wage Appeals Board if legal issues are in dispute. Any ALJ decision on DBRA contracts may be appealed to the Wage Appeals Board. Consequently, the resolution of these cases is often a lengthy process.

September 15 and we can borrow from the upcoming year in cases of a shortfall; 15 days at the end of the fiscal year is not much leeway.

We have come very close to not making that. We are asking to have that date changed to June 15. We selected June 15 because there is a similar drawdown authority in the Black Lung Account and we decided to conform those two.

The other is to extend the period in the account for us to pay out. Currently it has been treated as a one-year fund and lapses on September 30 any money that is left. The proposal before you would make the funds available for expenditure over the two-year period. With the expected change in pay date for the Postal Service, which will pay its 1991 bill at the very end of FY 1990, this change is essential to make those funds available when they are needed.

MEDICAL INFLATION COST

Mr. NATCHER. What medical cost inflation have you assumed in the special benefits and trust fund accounts?

Mr. ROGERS. I do not have the figure for 1991, Mr. Chairman. I would like to place that in the record.

Mr. NATCHER. All right.

[The information follows:]

EMPLOYMENT STANDARDS ADMINISTRATION

Medical costs for the Special Benefits account were estimated to increase 19 percent in 1990 and 1991.

Mr. NATCHER. How does this compare to recent years?

Mr. ROGERS. Medical costs have been going up rapidly from 1988 to 1989, the most recent year that we have a full year's experience. It was 19.5 percent. The previous year, 1987 to 1988, it was 16 percent. The year before 1986 to 1987, it was 7.3 percent. So you can see it has been escalating rapidly.

We have been looking at the medical costs and why they have been rising, looking for ways to contain medical costs as I think all agencies of the government are who deal in the payment of medical costs.

Mr. NATCHER. By what percentage are total Federal employees workers' compensation payments going up in 1991?

Mr. ROGERS. In 1991, the total overall is 8.5 percent.

Mr. NATCHER. How does this compare with the experience in recent years?

Mr. ROGERS. That would be a little less than we have had in recent years. For example, the actual cost to the agency rose 11.3 percent between 1988 and 1989.

We are estimating from 1989 to 1990 that the costs will go up about 12.5 percent. Since Mr. Conte asked the question about the extra pay day, we have an extra pay period in this year, 14 pay periods instead of 13. That raises our costs considerably. It happens every 21 years.

Mr. Hoyer: Does the Department have an adequate procedure for tracking a "repeat offender" that repeatedly violates provisions of the Davis-Bacon Act, for example, even if those violations take place in different states while the suspect employer is under contract to different agencies?

Mr. Brooks: Wage and Hour has an effective procedure for tracking the compliance activity regarding multi-unit national enterprises. Prior to initiating or during the opening conference of every compliance action, the compliance officer (CO) determines whether the establishment (employer) is part of a national or multi-unit enterprise and, if so, obtains the name and location of the main office. The District Director with responsibility for the main office (MODO) is immediately contacted.

The MODO is responsible for maintaining information an all enforcement activities regarding multi-unit or national firms. The MODO can provide COs from other offices with the following information:

1. Enforcement history

2. Special handling procedures where necessary

3. Any outstanding compliance problems and appropriate enforcement strategy.

4. Whether the branch case can be settled locally.

The MODO will bring to the attention of the Regional Director and the National Office any prevalent problems regarding multi-unit and national enterprises so that coordinated corrective action can be taken.

Mr. Hoyer: At what point does the Department take action that will bar a Federal contractor from competition for any other Federal contracts?

Mr. Brooks: In government contract investigations, debarment is considered in all cases meeting the statutory and regulatory criteria. Violations of the Davis-Bacon Act (DBA) which constitute a "disregard of obligations to employees and subcontractors" and violations of the Davis-Bacon and related Acts (DBRA) which are "aggravated and willful" meet the debarment criteria. In DBA and DBRA cases, this generally includes repeat violations, failure to agree to comply in the future, falsification of certified payroll records, and kickbacks of wages.

Debarment is considered in every investigation disclosing McNamara-O'Hara Service Contract Act (SCA) violations. Generally, the Department proceeds to initiate debarment action in those SCA cases where the contractor refuses to comply in the future, has a history of labor standards violations, falsifies or conceals records or other evidence necessary to determine compliance, intentionally misclassifies employees, deliberately ignores the wage determination and/or fails to maintain an accurate record of hours work, rates paid, etc. The Department initiates debarmen action in every case where the contractor refuses to pay the back wages determined due as a result of an investigation. Pursuant to the 1972 amendments to the statute, relief from debarment can only be granted for SCA violations if "unusual circumstances" are present.

WORKERS' COMPENSATION

Mr. Hoyer: The justification indicates that there are plans to use technology to improve and expand the delivery of services to workers. Can you provide the Committee more detail about how this will be accomplished?

Mr. Brooks: We plan to combine new case management and processing techniques with improved automated data processing capabilities. This will give us the tools we need to better manage disability cases when they enter the service phase of the disability cycle (post-adjudication). We are, at the present time, working on several initiatives that should help us implement our plan:

* Our nurse intervention feasibility study is showing positive results and indicates that early intervention and rehabilitation efforts can promote a quicker return to work.

* We are considering guidelines for expected length of disability which would help us manage long-term disability cases and reduce the claimant's time away from work.

* The low back study that we are conducting jointly with NIOSH will provide us with the capability to identify those potential long-term disability cases early in the disability cycle. We are also examining FECA physical therapy services and developing patient care guidelines.

* We are in the process of installing new telephone equipment in our district offices. This hardware will enhance our ability to communicate with and serve our claimant constituency.

* Automated data processing upgrades are underway in all of our compensation programs. As we implement these upgrades, we will be able to provide better case management, faster medical bill and benefit payment processing and quicker responses to information requests from claimants and other parties.

* We plan to build on the new rehabilitation tracking system, an automated system that will promote effective interaction between the programs and contract rehabilitation personnel. This will improve rehabilitation services to disabled workers and allow us to easily track and manage the rehabilitation process in each individual case.

Mr. Hoyer: Could you also explain the proposal to integrate the work of claims examiner and rehabilitation staff, and how it will actually impact claimants?

Mr. Brooks: We believe that the keys to getting injured employees back on the job are early intervention in the disability cycle and being able to estimate how long a particular disability will last. In order to apply these principles, we are evaluating guidelines for expected length of disability and are piloting an early intervention project in three of our FECA district offices.

Early intervention depends upon a cooperative effort between claims examiners and rehabilitation nurses. The claims examiner refers selected cases to the rehabilitation nurse for review. The nurse recommends that the injured employee either return to work or enter a rehabilitation program. The claims examiner then utilizes the nurse's recommendation when processing the case.

The pilot project seems to indicate that early intervention returns injured employees to work at the earliest possible time. We feel that this benefits our claimants because it minimizes the amount of time between their injury and their return to productive activity. Cooperation between claims staff and rehabilitation personnel also speeds the adjudication process for cases that fall between a minor no-lost-time injury and a traumatic injury with long-term disability potential. Early action on those cases will have a favorable impact on our claimant constituency. Our request for ten (10) additional FTE reflects our desire to expand the pilot project and extend early intervention to a greater number of claimants.

DISTRICT OFFICE 25

Mr. Hoyer: As you may recall, I have been very interested in the service to claimants who file through the District Office 25 of the OWCP. I realize that there has been a recent combination of activities at Office 25. My information indicates that it may take as long as five months from the date of injury and the filing of a proper claim form to the date of a second opinion examination. This means that there are individuals who are off the job and without a salary for five months. Is there an explanation for this type of delay?

Mr. Brooks: Eighty-five percent of all claimants filing injury cases will not require a second opinion or experience wage loss. In these cases, disability is resolved and the claimant returns to work immediately or within the initial 45-day continuation-of-pay (COP) period provided for traumatic injuries. These cases do not require second opinions to avoid wage loss.

In only 15 percent of all cases are wage loss claims filed with the Office of Workers' Compensation Programs (OWCP). The majority of wage loss claims are processed for payment within short timeframes. Nationwide, 86 percent (78 percent in District 25) of wage loss claims were processed within 14 days of the date of filing, and 96 percent (95 percent in District 25) were processed within 45 days during the first quarter of FY 1990.

Most cases requiring additional medical development (such as second opinion examination) before payment of wage loss are occupational disease cases. Because of the complexities of occupational disease cases, adjudication is slower. Occupational disease cases often require development of the long history of the medical condition and additional clarification of the medical evidence, although not every case requires a second opinion.

While we do not have statistics measuring the timeliness of obtaining second opinions, we recognize that there is a problem. We are currently looking at ways to make improvements. Because we have difficulty getting physicians to do this kind of work, we are studying alternatives such as contracting with medical provider groups to secure physicians to give second opinions and emphasizing the responsibilities of OWCP staff doctors to create physician networks for second opinions and other consultant services.

Mr. Hoyer: I am also told that very often there is no actual examination prior to the issuance of a second opinion, but rather a simple review of a medical record. Is that accurate, and more importantly, how can we be assured that claimants are receiving fair treatment?

Mr. Brooks: Each district office has consultants to review the medical record and assist claims examiners in interpreting evidence which may be unclear or complicated. Medical consultants are used to supplement the opinions provided by District Medical Directors with more specialized professional consultant advice. Based on the review and the consultant's opinion, the claims examiner may accept or deny, or the case may be sent for a second opinion or to a referee medical specialist. If there is a conflict of rationalized opinion, the case must be sent to a referee specialist. Generally, if the opinion of the medical reviewer disagrees with that of the claimant's physician, a second opinion or referee examination is arranged.

Medical consultants are usually local area specialists whose services are obtained through advertising and outreach by the District Office Medical Director.

Mr. Hoyer: What policies and procedures are in place to ensure that there is no negative bias against claimants by these individuals who are contracted by OWCP?

Mr. Brooks: Consultants and second opinion medical examiners are used to provide opinions and guidance on causal relation of illness to work, appropriate medical care, surgery authorization, work capacity, etc. They provide more specialized medical opinion in various areas to supplement or, in some cases, to substitute for the role of the in-house District Medical Director, a Federal employee. They are obtained by advertising in medical journals, mass mailings, and personal contacts from FECA District Medical Directors. Physicians who are qualified, interested, and will agree to provide a reasonably timely return of report and file and a well-rationalized written opinion may be accepted. Physicians are advised that, as an impartial adjudicator in a non-adversarial program, OWCP needs an independent professional evaluation of the medical reports. If several physicians are available in one geographical area, cases are rotated through them. Demonstrated bias is one of the reasons for eliminating a physician from participation in this activity.

Impartial (referee) physicians are enlisted when there is a conflict between a worker's attending physician and second physicians. Referees must not have a contractual relationship with the employing agency or with OWCP and must not have previous involvement in the particular case. The referee must be board-certified. Referees are selected by strictly impartial rotation through the Directory of Medical Specialists. The district office is required to maintain records showing that procurement regulations and impartial rotation procedures have been observed.

Mr. Hoyer: I am also concerned that the length of time that passes before an impartial review of a rejected claim can be three to four months. Is this and other estimates accurate, and is the set of figures for District Office 25 consistent with other OWCP offices?

Mr. Brooks: A person may request a hearing by a National Office OWCP Hearing Examiner within 30 days of the denial of the case, or within one year, may request a reconsideration by a district office person other than the person who made the original decision. These reconsiderations are generally performed by senior claims examiners. In the first quarter of FY 1990, 85 percent of reconsiderations nationwide (81 percent in District 25) were held within three months of the claimant's request. Ninety-five percent were held within five months.

A hearing is generally held within the claimant's area of residence. The time from the request to the holding of the hearing depends in part on whether the claimant lives in a frequently visited urban area or in a remote area which, because there are few such requests, hearing examiners visit less often. The claimant may also request a review of the written record by the hearing examiner in Washington.

The average time between the claimant's request and the holding of a hearing in urban areas is 90 days. Nationwide, in all geographic areas, 75 percent of the hearings are held within 90 days, while 98 percent are held within 180 days of the claimant's request. The average time to issue a decision following the hearing is also 90 days. Sixty-five percent of all decisions are issued within 75 days, and 85 percent are issued within 90 days.

The claimant may also appeal a decision to the Employees' Compensation Appeal Board, which is independent of OWCP. The time for their decision varies, and depends in part on the issue needing resolution.

Mr. Hoyer: Two other issues that may appear to be rather mundane, but which seem to have had a critical impact on the ability of claimants to receive adequate service is the lack of clerical staff, and the inability of claimants to contact claims examiners by telephone. With inadequate clerical staff, claims may not move for extended periods of time, and if claimants are unable to have their calls returned, claimants may lose months in the process because they were unable to provide necessary information to examiners about their claims. Although, I realize District Office 25 is in transition, and I appreciate the level of cooperation my office has received in the past in our efforts to overcome some of these problems, I would like a rather detailed analysis of the situation at District Office 25~~?~~⊙

Mr. Brooks: We are very much aware that performance has declined since the combination of two offices in District Office 25. The problems are most acute in the computer, clerical and claimant contact areas.

A computerized telephone system is about to be set up and will be working as soon as the phone company can install the lines. Among other efficiencies, this new system will speed claimants directly to their claims examiner or will directly handle inquiries about medical bills.

The current computer system provides too few terminals for the larger number of staff, and does not have the capacity to effectively handle the work. By April 30, we will have installed new computers under the Federal Employees' Data System Enhancement Project (FDSEP). In the interim, a second computer system, brought in from another district office, will be used to assist in processing the existing workload.

Recently, we hired temporary clerical employees to handle tasks such as typing, bill payment, photocopying, etc. I have also authorized assigning additional staff for data entry, and have approved the hiring of additional clerical support and mail staff. Along with other measures to improve the management of the workflow in the office, these new resources will begin immediately to resolve the problems you cite.

JUSTIFICATION OF THE BUDGET ESTIMATES

EMPLOYMENT STANDARDS ADMINISTRATION

SALARIES AND EXPENSES

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EMPLOYMENT STANDARDS ADMINISTRATION
SALARIES AND EXPENSES

For necessary expenses for the Employment Standards Administration, including reimbursement to State, Federal, and local agencies and their employees for inspection services rendered, [$218,322,000] *$221,307,000*, together with [$1,019,000] *$1,016,000*, which may be expended from the Special Fund in accordance with Sections 39(c) and 44(j) of the Longshore and Harbor Workers' Compensation Act. *(5 U.S.C. 8101-50, 8171(a)(2); 8 U.S.C. 1101(a), 1184(c), 1324; 15 U.S.C. 1671-77; 20 U.S.C. 951-63; 29 U.S.C. 31-42, 201-19, 251-62, 553, 793; 1802, 1813(a), 2001 et. seq.; 30 U.S.C. 934, 934a; 33 U.S.C. 901-50; 38 U.S.C. 2012; 40 U.S.C. 267a, 267c; 41 U.S.C. 35-45, 328-33, 351-57; 42 U.S.C. 1651-54, 1701-17, 2000e nt.; 43 U.S.C. 1333(c); title 36 of the District of Columbia Code; 59 Stat. 1263; 64 Stat. 1268; Executive Order 11136 of January 3, 1964; Department of Labor Appropriations Act, 1990.)*

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990 [1]		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation	3,704	$211,915,000	3,710	$216,322,000	3,716	$221,307,000
A. Revised appropriation . .	3,704	$211,915,000	3,710	$216,322,000	3,716	$221,307,000
Comparative transfer from: Departmental Management	---	646,000	---	---	---	---
Comparative transfer to: Working Capital Fund . . .	-1	---	-1	---	---	---
Ceiling adjustment for: Departmental Management	-3	-187,000	-3	-194,000	---	---
Subtotal, appropriation (adjusted)	3,700	$212,374,000	3,706	$216,128,000	3,716	$221,307,000
Offsetting collections from: Trust funds available for financing the administrative costs related to the Black Lung Disability Trust and the Longshore and Harbor Workers' Trust [2]	395	30,367,000	337	29,651,000[2]	337	30,067,000
B. Total Available Budget Authority	4,095	$242,741,000	4,043	$245,779,000	4,053	$251,374,000
Unobligated balance available, start of year	---	3,171,000	---	---	---	---
C. Total, estimated obligations	4,095	$245,912,000	4,043	$245,779,000	4,053	$251,374,000

[1] Reflects a reduction of $2,000,000 pursuant to P.L. 101-166.

[2] Trust Funds total reflects the reduction of $8,000 in the Special Fund Activity pursuant to P.L. 99-177.

[3] Reflects comparative transfer of 2 FTE to the Working Capital Fund in FY 1989 and 1990.

SUMMARY OF CHANGES

Budget Authority:	1990	1991	Net Change
General Funds	$216,128,000	$221,307,000	+$5,179,000
Trust Funds	29,651,000	30,067,000	+416,000
Total	$245,779,000	$251,374,000	+$5,595,000
Full-time Equivalent:			
General Funds	3,706	3,716	+10
Trust Funds	337	337	---
Total	4,043	4,053	+10

	Trust Funds		General Funds		Total	
Explanation of Change:	FTE	Amount	FTE	Amount	FTE	Amount
Increases:						
A. Built-In:						
Net additional cost for personnel compensation	---	+$865,000	---	+$4,770,000	---	+$5,635,000
Net additional cost for personnel benefits	---	---	---	+790,000	---	+790,000
Federal Employees' Retirement System contributions	---	+5,000	---	+29,000	---	+34,000
To provide for an increase in the Federal Employees' Compensation Fund	---	---	---	+294,000	---	+294,000
To provide for increases in printing funds	---	---	---	+39,000	---	+39,000
To provide for increases in utilities and other rental, supplies and equipment	---	+5,000	---	+56,000	---	+61,000

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
To provide for an increase in space rental	---	+76,000	---	+735,000	---	+811,000
To provide for an increase in ADP funds	---	---	---	+30,000	---	+30,000
To provide for an increase in other services	---	+91,000	---	---	---	+91,000
To provide for increased cost of Working Capital Fund	---	---	---	+424,000	---	+424,000
Subtotal	---	+1,042,000	---	+7,167,000	---	+8,209,000
B. Program						
To provide for increased staffing and costs to the FECA program to provide for increased Rehabilitation	---	---	+10	+387,000	+10	+387,000
(1990 Base: FTE 878 Budget Authority $52,846,000)						
To provide for ADP equipment rental funds to the Longshore program to support automation integration	---	---	---	+80,000	---	+80,000
(1990 Base: FTE 142 Budget Authority $9,173,000)						
To provide additional funds for litigation support and expert witnesses in the OFCCP program	---	---	---	+92,000	---	+92,000
(1990 Base: FTE 968 Budget Authority $54,443,000)						

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
To provide additional funds for litigation support in the Wage Hour program	---	---	---	+158,000	---	+158,000
(1990 Base: FTE 1,548 Budget Authority $93,540,000).						
To provide additional funds for expert witnesses in the Black Lung program	---	+10,000	---	---	---	+10,000
(1990 Base: FTE 316 Budget Authority $28,753,000).						
To provide for additional funds for systems furniture and telephone systems in the Black Lung program	---	+125,000	---	---	---	+125,000
(1990 Base: FTE 316 Budget Authority $28,753,000).						
Subtotal	---	+135,000	+10	+717,000	+10	+852,000
Total Increase	---	+1,177,000	+10	+7,884,000	+10	+9,061,000
Decreases:						
A. Built-In:						
Decreased costs for Federal Employees' Compensation Fund .	---	-40,000	---	---	---	-40,000
Net cost for personnel benefits	---	-81,000	---	---	---	-81,000
Decreased cost for Working Capital Fund	---	-23,000	---	---	---	-23,000
Subtotal	---	-144,000	---	---	---	-144,000

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
B. Program:						
To provide for decreased costs for permanent change of station moves, travel and transportation of things	---	-7,000	---	-1,772,000	---	-1,779,000
(1990 Base: FTE 4,043 Budget Authority $253,844,000).						
To provide for decreased costs for ADP	---	-610,000	---	-480,000	---	-1,090,000
(1990 Base: FTE 2,884 Budget Authority $184,312,000).						
To provide for decreased costs for other services	---	---	---	-453,000	---	-453,000
(1990 Base: FTE 3,727 Budget Authority $225,091,000).						
Subtotal	---	-617,000	---	-2,705,000	---	-3,322,000
Total Decrease	---	-761,000	---	-2,705,000	---	-3,466,000
Total Change	---	+416,000	+10	+5,179,000	+10	+5,595,000

BUDGET AUTHORITY BY ACTIVITY

Budget Authority applied to General Funds:	1989 Comparable FTE	1989 Comparable Amount	1990 Appropriation [1] FTE	1990 Appropriation [1] Amount	1990 Estimate [2] FTE	1990 Estimate [2] Amount	1991 Estimate FTE	1991 Estimate Amount	Change FTE	Change Amount
1. Enforcement of wage and hour standards .	1,518	$89,131,000	1,550	$90,839,000	1,548	$90,736,000	1,548	$93,017,000	---	+$2,281,000
2. Federal contractor EEO standards enforcement	968	51,973,000	970	53,045,000	968	52,985,000	968	53,645,000	---	+660,000
3. Federal programs for workers' compensation	1,034	57,326,000	1,010	58,692,000	1,010	58,661,000	1,020	60,639,000	+10	+1,978,000
4. Executive direction and support services	180	13,944,000	180	13,746,000	180	13,746,000	180	14,006,000	---	+260,000
Subtotal	3,700	212,374,000	3,710	216,322,000	3,706	216,128,000	3,716	221,307,000	+10	+5,179,000
Budget Authority applied to Trust funds:										
3. Federal programs for workers' compensation	376	29,126,000	328	28,750,000	326	28,742,000	326	29,286,000	---	+544,000
4. Executive direction and support services	21	1,241,000	11	909,000	11	909,000	11	781,000	---	-128,000
Subtotal	395	30,367,000	339	29,659,000	337	29,651,000	337	30,067,000	---	+416,000
Total Budget Authority	4,095	$242,741,000	4,049	$245,981,000	4,043	$245,779,000	4,053	$251,374,000	+10	+$5,595,000

[1] Included in 1990 Appropriation above:
Reduction pursuant to
P.L. 101-166 . . . -$2,000,000

[2] Included in 1990 Estimate:
Reduction pursuant
to P.L. 99-177 . -$8,000
Comparative transfer to:
Working Capital Fund -3 FTE
Ceiling adjustment for:
Departmental Management -$194,000 and -3 FTE

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions	4,184	4,178	4,182	+4
Full-time equivalent:				
Full-time in permanent positions	4,049	4,043	4,053	+10
Other positions	---	---	---	---
Total	4,049	4,043	4,053	+10
Average ES salary	$75,879	$75,879	$75,879	---
Average GM/GS grade	10.24	10.24	10.22	-.02
Average GM/GS salary	$33,368	$33,368	$34,737	+$1,369
Personnel Compensation:				
Permanent positions	$140,520,000	$140,520,000	$146,346,000	+$5,826,000
Other personnel compensation	---	---	---	---
Subtotal, personnel compensation	140,520,000	140,520,000	146,346,000	+5,826,000
Personnel benefits	25,620,000	25,620,000	25,691,000	+71,000
Benefits for former personnel	156,000	156,000	---	-156,000
Travel and transportation of person	6,909,000	6,909,000	6,720,000	-189,000
Transportation of things	589,000	589,000	272,000	-317,000
Space rental	17,171,000	17,171,000	18,030,000	+859,000
Communications, utilities, and other rent	3,869,000	3,869,000	4,045,000	+176,000
Printing and reproduction	931,000	931,000	970,000	+39,000
Other services [1]	46,911,000	46,709,000	45,856,000	-853,000
Supplies and materials	1,688,000	1,688,000	1,759,000	+71,000
Equipment	1,617,000	1,617,000	1,685,000	+68,000
Total, budget authority by object	$245,981,000	$245,779,000	$251,374,000	+$5,595,000
Working Capital Fund obligations included above	(16,997,000)	(17,253,000)	(17,654,000)	(+401,000)
Advisory and Assistance Services included above	(---)	(---)	(30,000)	(+30,000)
Federal Employees' Retirement contributions included above	(4,320,000)	(4,260,000)	(4,294,000)	(+34,000)
[1] Includes the following amounts for services of other agencies:				
Department of Labor:				
Bureau of Labor Statistics	(2,705,000)	(2,705,000)	(2,818,000)	(+113,000)
Department of Health and Human Services:				
Social Security Administration	(484,000)	(464,000)	(503,000)	(+39,000)

SIGNIFICANT ITEMS IN FY 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to be Taken
1990 House Report (No. 101-172) No specific action recommended.	
1990 Senate Report (No. 101-127) No specific action recommended.	
1990 Conference Report (No. 101-274) No specific actions recommended.	

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request	
	1990	1991
Authorizing legislation containing indefinite authority		
Fair Labor Standards Act of 1938, approved June 25, 1938, P.L. 75-718, as amended, 29 U.S.C. 201-219		
Walsh-Healey Public Contracts Act, approved June 30, 1936, P.L. 74-846, as amended, 41 U.S.C. 35-45		
Consumer Credit Protection Act (Title III - Restriction on Garnishment), approved May 29, 1968, P.L. 90-321, 15 U.S.C. 1671-1677		
Contract Work Hours and Safety Standards Act, approved August 13, 1962, P.L. 87-581, as amended, 40 U.S.C. 327-330		
Service Contract Act, approved October 22, 1965, P.L. 89-286, as amended, 41 U.S.C. 351-357		

	Budget Request 1990	Budget Request 1991
Davis-Bacon Act, approved March 3, 1931, P.L. 74-403, as amended and related acts, 40 U.S.C. 276(a)-276(a-7), 276(c), 327-332; 5 U.S.C. Appendix; 5 U.S.C. 301		
Migrant and Seasonal Agricultural Worker Protection Act, approved January 14, 1983, P.L. 97-470, 29 U.S.C. 1801-1872		
Immigration and Nationality Act, as amended by the Immigration Reform and Control Act of 1986, P. L. 99-603, 8 U.S.C. 1324, 8 U.S.C. 1101(a), 1184(c), 1824, 29 U.S.C. 1802, 1813(a)		
Employee Polygraph Protection Act of 1988, June 27, 1988, P. L. 100-347, 29 U.S.C. 2001 et seq		
Total	$97,003,000	$99,302,000
Rehabilitation Act of 1973, (Section 503) September 26, 1973, P.L. 93-112 as amended, 29 U.S.C. 793		
Vietnam Era Veterans' Readjustment Assistance Act of 1974, (38 U.S.C. 2012) December 3, 1974, P.L. 93-508 as amended, 38 U.S.C. 2012		
Executive Order 11246, issued September 24, 1965, as amended by Executive Order 11375		
Immigration and Nationality Act, as amended by the Immigration Reform and Control Act of 1986, P. L. 99-603, 8 U.S.C. 1324		
Total	56,644,000	57,269,000

	Budget Request	
	1990	1991
Federal Employees' Compensation Act approved September 7, 1916, 5 U.S.C. 8101 et. seq.	54,638,000	56,061,000
Longshore and Harbor Workers' Compensation Act, approved March 4, 1927, P.L. 69-803, as amended in 1972 by P.L. 92-576, as amended September 28, 1984 by P.L. 98-426, 33 U.S.C. 901 et. seq.	9,056,000	9,691,000
Federal Coal Mine Health and Safety Act of 1969, (now called Federal Mine Safety and Health Act of 1977), Title IV, Black Lung Benefits Act, approved December 30, 1969 P.L. 91-173, Black Lung Benefits Revenue Act of 1977, P.L. 95-227, as amended in 1981 by P.L. 97-119, 30 U.S.C. 901, et. seq.	28,640,000	29,051,000

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981*	176,676,000	171,421,000	171,421,000	171,421,000
1982*	162,295,000	174,849,000	164,785,000	158,563,000
1983*	174,060,000	169,643,000	169,643,000	173,536,000
1984*	189,030,000	185,677,000	185,835,000	188,872,000
1985*	192,379,000	192,979,000	192,379,000	192,979,000
1986*	190,707,000	191,507,000	190,707,000	182,529,000 1/
1987*	193,591,000	194,591,000	193,591,000	195,091,000
1988*	220,123,000	217,573,000	214,540,000	208,176,000
1989*	215,015,000	215,015,000	215,015,000	212,435,000 2/
1990*	219,341,000	219,341,000	219,341,000	217,341,000 3/
Reduction pursuant to P.L. 99-177				-8,000
1991*	222,323,000			

* Includes reimbursement from the Special Fund established by the Longshore and Harbor Workers' Compensation Act: $364,000 in Fiscal Year 1981, $360,000 in Fiscal Year 1982, $374,000 in Fiscal Year 1983, $380,000 in Fiscal Year 1984, $397,000 in Fiscal Year 1985, $389,000 in Fiscal Year 1986, $441,000 in Fiscal Year 1987, $467,000 in Fiscal Year 1988, $520,000 in Fiscal Year 1989, $1,019,000 in Fiscal Year 1990, and $1,016,000 in Fiscal Year 1991.

1/ 1986 includes reductions pursuant to P.L. 99-177.
2/ Reflects $2,580,000 across-the-board reduction pursuant to P.L. 100-436.
3/ Reflects a reduction of $2,000,000 pursuant to P.L. 101-166.

EMPLOYMENT STANDARDS ADMINISTRATION
SALARIES AND EXPENSES

JUSTIFICATION

	1990 Appropriation 1/		1990 Estimate 2/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
Activity	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Enforcement of Wage and Hour Standards . .	1,550	$90,839,000	1,548	$90,736,000	-2	-$103,000	1,548	$93,017,000	---	+$2,281,000
Federal Contractor EEO Standards Enforcement .	970	53,045,000	968	52,985,000	-2	-60,000	968	53,645,000	---	+660,000
Federal Programs for Workers' Compensation	1,338	87,442,000	1,336	87,403,000	-2	-39,000	1,346	89,925,000	+10	+2,522,000
Executive Direction and Support Services . .	191	14,655,000	191	14,655,000	---	---	191	14,787,000	---	+132,000
Total Budget Authority . .	4,049	$245,981,000	4,043	$245,779,000	-6	-$202,000	4,053	$251,374,000	+10	+$5,595,000

1/ Included in 1990 Appropriation above:
Reduction pursuant to P.L. 101-166 -$2,000,000

2/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177 -$8,000
Comparative transfer to:
Working Capital Fund . . . . . -3 FTE
Ceiling adjustment for:
Departmental Management . . . . -$194,000 and -3 FTE

General Statement

This appropriation provides for salaries and expenses for the administration and enforcement of a variety of statutes prescribing certain standards and conditions of employment which must be met by covered employers, and providing workers' compensation benefits and services to certain workers. These standards are concerned with minimum wages and hours worked; nondiscrimination and affirmative action by Federal contractors; and workers' compensation for selected groups of workers who are injured or contract job-related diseases, or the survivors of employees in cases of death from job-related injuries or diseases.

The purposes of these programs are to protect wages and working conditions, assure that workers are hired, promoted, and compensated on a nondiscriminatory basis, and that covered workers injured on the job receive prompt and appropriate service in the adjudication of claims for benefits under workers' compensation laws. In FY 1991, the Employment Standards Administration (ESA) will continue its emphases on promoting firm, impartial, and professional enforcement in both Wage and Hour (WH) and the Office of Federal Contract Compliance Programs (OFCCP), and providing timely, high quality services to the public in all of the Office of Workers' Compensation Programs (OWCP), as well as these other programs.

Resources are being requested in the Federal Employees' Compensation Act program for additional staff to enhance the program's continuing efforts to foster prompt reemployment of injured workers and reduce long-term wage replacement benefit costs.

The Department of Labor's Comptroller's office determined that costs related to the collection and preparation of case-related investigative materials needed for litigation may properly be paid by the client agency. ESA is requesting additional resources for the Wage and Hour, OFCCP, and Black Lung programs to provide funding for expert witness fees and litigation support.

Additionally, Information Resources Management (IRM)-related funds are being requested in the Longshore and Harbor Workers' Compensation Act program to complete the transfer of Longshore computer operations to ESA regional data processing facilities in order to realize the many operational benefits that accrue from an integrated approach to provision of ADP services. This initiative continues the agency's long-term program to expand the availability of new technology to improve the quality and effectiveness of our programs.

In ESA's continuing efforts to improve the quality of work life of it employees and to assist the agency in meeting the Government-wide space reduction initiative, funds are being requested in the Black Lung program for equipment purchases (systems furniture). Funds for the purchase of telephone systems in the Black Lung program are also being requested to benefit our clients by significantly improving the level of claimant access to field offices.

ENFORCEMENT OF WAGE AND HOUR STANDARDS

1990 Appropriation 1/		1990 Estimate 2/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1,550	$90,839,000	1,548	$90,736,000	-2	-$103,000	1,548	$93,017,000	---	+$2,281,000

1/ Included in FY 1990 Appropriation above:
Reduction pursuant to P.L. 101-166 .. -$890,000

2/ Included in FY 1990 Estimate above:
Ceiling adjustment for:
Departmental management .... -$103,000 and -2 FTE

Introduction

The Wage and Hour Division is responsible for the administration and enforcement of a wide range of laws which establish standards for wages and working conditions which collectively cover virtually all private and State and local government employment. The Division is comprised of a nationwide staff of compliance officers, supervisors, and technical and clerical employees responsible for enforcing the Fair Labor Standards Act, Government Contracts labor standards statutes, the Migrant and Seasonal Agricultural Worker Protection Act, and the Employee Polygraph Protection Act. The Immigration Reform and Control Act of 1986 also provided certain additional enforcement responsibilities to be undertaken by the Wage and Hour Division staff.

The Fair Labor Standards Act (FLSA) provides minimum wage, overtime, child labor, recordkeeping, and special minimum wage standards. The Davis-Bacon and Related Acts (DBRA), the Walsh-Healey Public Contracts Act (PCA), the Service Contract Act (SCA), and the Contract Work Hours and Safety Standards Act (CWHSSA) provide certain labor standards such as prevailing wage, fringe benefit and overtime standards for workers employed on Federally-funded and Federally-assisted contracts for construction and provision of goods and services. These Government Contracts statutes also provide debarment sanctions for violations of these standards.

The Migrant and Seasonal Agricultural Worker Protection Act (MSPA) provides for the registration of farm labor contractors, the proper maintenance of and insurance for vehicles used to transport migrant and seasonal agricultural workers, the maintenance of safe and healthful facilities to house such workers, and the prior disclosure to such workers of specific employment conditions and agreements.

The Employee Polygraph Protection Act of 1988 (EPPA) provides protection for most private-sector employees from lie detector testing, either preemployment or during the course of employment, with certain limited exceptions.

The Immigration Reform and Control Act (IRCA) amended the Immigration and Nationality Act (INA), among other changes, to provide for ESA compliance staff (from both the Wage and Hour and Office of Federal Contract Compliance programs) review of employers' employment eligibility verification recordkeeping. In addition to its employment eligibility verification responsibility, Wage and Hour enforces new IRCA reporting and recordkeeping requirements affecting agricultural employers who employ certain legal aliens (Special Agricultural Workers) in seasonal agricultural work. IRCA also provided for a revised temporary nonimmigrant agricultural worker program (the new H-2A program) which contains enforcement provisions administered by Wage and Hour. Under the H-2A program, the Division conducts investigations of employers' compliance with contractual obligations to H-2A workers.

The major objective of the Wage and Hour Division is to achieve compliance by employers with these various labor standards statutes through enforcement activities, including the resolution of complaints, and by promoting voluntary compliance. Directed-(i.e., noncomplaint) investigations are also used to improve compliance in areas where complaints are traditionally infrequent, for example in the areas of industrial homework, sheltered workshop employment, agricultural employment, and in the enforcement of the FLSA's child labor provisions. Civil money penalties are assessed and collected in the child labor, MSPA and certain IRCA programs by virtue of statutory provisions for such enforcement mechanisms. Under DBRA and SCA, the Division develops and issues prevailing wage rate and fringe benefit determinations to contracting Federal, State and local government agencies for inclusion in contract documents, and conducts on-site investigations to assure the payment of such wages and fringe benefits.

1991 Budget Request

Resource levels requested are for $93,017,000 and 1,548 full-time equivalent (FTE) staff years. The requested funding includes an additional $158,000 for litigation support. The additional funding is necessary to cover costs of developing litigation cases of unusual size and scope in order to ensure the effectiveness and credibility of the overall enforcement program.

With respect to FLSA enforcement, priority will continue to be given to servicing complaints on a timely basis. The purpose of all FLSA enforcement is to ensure that the minimum wage, overtime, recordkeeping, and child labor provisions of the Act are being met by employers. Employers who are not in compliance and are found to owe employees back wages are asked to pay the amounts owed voluntarily. In cases that cannot be settled administratively, the Department is authorized to undertake legal action. Wage and Hour will continue to evaluate the workload effects of the FLSA Amendments of 1989 and the Immigration Nursing Relief Act of 1989 (P.L. 101-238) to determine operational impact on enforcement.

Government Contract labor standards investigations will primarily service complaints. Efforts to improve the management of Davis-Bacon wage surveys and the preparation and issuance of accurate wage determinations on a timely basis under both the Davis-Bacon and Service Contract Acts will continue

Enforcement of the Migrant and Seasonal Agricultural Worker Protection Act will continue to be focused on the worst violators of standards affecting the living and working conditions of agricultural workers. MSPA enforcement will continue in the reforestation industry, as a result of a court decision to include forestry activities under the definition of agriculture.

Enforcement will also be carried out with respect to agricultural employers' reporting and recordkeeping requirements under the special agricultural workers and replenishment agricultural workers (SAW/RAW) provisions of IRCA, the H-2A program, and the Employee Polygraph Protection Act (EPPA). In the EPPA program, Wage and Hour enforcement activities will address the resolution of employee complaints regarding the administration of lie detector tests to job applicants or current employees, the use of or inquiries regarding lie detector tests that have been administered to job applicants or current employees, and the taking of adverse employment actions based on lie detector-test results or for refusal/failure to take such tests.

Table 1
Enforcement of Wage and Hour Standards
Workload Statistics

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Fair Labor Standards Act			
Compliance Actions	74,197	76,900	76,900
Homework Investigations	(761)	(2,350)	(2,350)
Complaints Received	63,965	64,400	67,300
Complaints Resolved	64,287	62,700	62,700
Complaints in Inventory	21,246	22,900	27,500
Amount of Underpayments (000)	$159,915	$132,750	$132,750
Employees Underpaid	460,485	448,000	448,000
Payments Agreed on (000)	$122,241	$98,000	$98,000
Employees to be Paid	388,445	395,000	395,000
Minors Illegally Employed	22,508	20,000	20,000
Child Labor Penalties Collected (000)	$1,564	$1,600	$1,275

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Government Contract Labor Standards	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Compliance Actions	4,903	5,100	5,100
Complaints Received	3,886	4,100	4,100
Complaints Resolved	4,244	4,100	4,100
Complaints in Inventory	2,071	2,071	2,070
Amount of Underpayments (000)	$44,093	$34,800	$34,800
Employees Underpaid	59,587	55,800	55,800
Payments Agreed on (000)	$35,222	$26,600	$26,600
Employees to be Paid	51,931	48,700	48,700
DBRA Wage Determinations Issued	12,556	16,500	16,500
DBRA Wage Determination Actions 1/	15,656	20,000	20,000
DBRA Survey Contacts	124,002	150,000	150,000
SCA Wage Determinations Issued	5,287	5,500	5,500
SCA Wage Determinations and Conformance Requests 2/	57,932	55,000	55,000

1/ "DBRA Wage Determination Actions" covers issuance of new wage determinations (also measured separately under "Wage Determinations Issued") plus modifications to existing wage schedules based upon collective bargaining agreements and conformance requests processed.

2/ "SCA Wage Determinations and Conformance Requests" measures the number of contracts for which SCA wage determinations are being requested plus the number of current wage determinations for which wage rates for additional classifications must be added.

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Migrant and Seasonal Agricultural Worker Protection Act			
Compliance Actions	6,463	6,600	5,800
Investigations	(4,809)	(5,000)	(4,500)
Housing Inspections	(1,654)	(1,600)	(1,300)
MSPA Civil Money Penalties Assessed (000)	$1,186	$700	$860
Migrant and Seasonal Agricultural Workers Protected Through Enforcement	157,182	146,000	146,000
Farm Labor Contractor/Employees Registration Certificates Issued	15,179	10,600	10,600
H-2A Program			
Compliance Actions	574	625	650

1990

Resource levels total $90,736,000 and 1,548 FTE. These resources provide for an increase of 30 FTE to enhance industrial homework enforcement.

Complaint inflow in the FLSA program is now expected to exceed the FY 1989 level and the complaint inventory will show a modest increase. The 1989 FLSA Amendments will impact Wage and Hour workloads; however, the extent of the impact cannot be accurately determined at this time.

1989

Accomplishments in many of the categories within the FLSA, Government Contracts, and MSPA programs exceeded both the plan for FY 1989 and actual results achieved in FY 1988. During FY 1989, all regional wage survey and back wage subsystems became operational. Programming began for the Wage Determination Automated Survey System in the National Office.

Changes for 1991

Activity Changes:

Built-In:

Personnel compensation	+$1,945,000
Personnel benefits	+256,000
Federal Employees' Compensation Fund	+105,000
Printing	+19,000
Space rent	+259,000
Other rental, supplies and equipment	-6,000
Working Capital Fund	+226,000
Total built-in	$2,804,000
Net program	-$523,000
FTE	---

Enforcement of Wage and Hour Standards

Proposal: To increase funding by $158,000 in the Wage and Hour Division for litigation support activities.

Rationale: The proposed increase is needed to ensure the continued effectiveness and credibility of major enforcement efforts.

Program Effects: The proposed increase will cover the costs of developing cases of unusual size and scope for litigation. For FLSA cases, this type of support has been extremely beneficial in minimum wage and overtime cases which involve a large number of employees due back wages.

Base:

FTE:	1,548	Estimate:	$93,540,000

Program Increase:

FTE:	---	Estimate:	+$158,000

Enforcement of Wage and Hour Standards

Proposal: To decrease funding by $500,000 in the Wage and Hour Division for permanent change of station moves, transportation and travel.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. These reductions were taken so as to direct resources to the highest priorities within the program.

Program Effects: The proposed decrease will limit the number of approved PCS moves to fill critical management and enforcement positions and will require the program to reduce and carefully scrutinize enforcement and other travel expenditures.

Base:

FTE:	1,548	Estimate:	$93,540,000

Program Decrease:

FTE:	---	Estimate:	-$500,000

Enforcement of Wage and Hour Standards

Proposal: To decrease funding by $9,000 in the Wage and Hour Division for information resources management (IRM) and ADP areas.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. These reductions were taken so as to direct resources to the highest priorities within the program.

Program Effects: The proposed decrease will require the program to delay the implementation of planned improvements in the information resources area including the acquisition of supplies and equipment.

Base:

FTE:	1,548	Estimate:	$93,540,000

Program Decrease:

FTE:	---	Estimate:	-$9,000

Enforcement of Wage and Hour Standards

Proposal: To decrease funding by $172,000 in the Wage and Hour Division for other services.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. These reductions were taken so as to direct resources to higher priorities within the program.

Program Effects: The proposed decrease will require the program to either delay or reduce planned initiatives in areas to be accomplished through funding of training and tuition, other contracts, and miscellaneous other services.

Base:

FTE:	1,548	Estimate:	$93,540,000

Program Decrease:

FTE	---	Estimate:	-$172,000

FEDERAL CONTRACTOR EEO STANDARDS ENFORCEMENT

1990 Appropriation 1/		1990 Estimate 2/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
970	$53,045,000	968	$52,985,000	-2	-$60,000	968	$53,645,000	- -	+$660,000

1/ Included in 1990 Appropriation above:
Reduction pursuant to P.L. 101-166 -$389,000
2/ Included in 1990 Estimate above:
Ceiling adjustment for:
Departmental Management .... -$60,000 and -1 FTE
Comparative transfer to:
Working Capital Fund .... -1 FTE

Introduction

The Office of Federal Contract Compliance Programs (OFCCP) enforces the nondiscrimination and affirmative action requirements of Executive Order 11246, as amended, the Rehabilitation Act of 1973, as amended, and 38 U.S.C. 2012, the Vietnam-Era Veterans' Readjustment Assistance Act of 1974. Enforcement of these provisions is an integral part of the Federal procurement process. The Executive Order requires that Federal contractors not discriminate because of race, color, religion, sex or national origin and that they take affirmative action to assure equal opportunity in employment. Under Section 503 of the Rehabilitation Act and 38 U.S.C. 2012, there is similar coverage for persons with disabilities, disabled veterans, and Vietnam-era veterans. The Immigration Reform and Control Act of 1986 (IRCA) also provides for certain additional enforcement activities to be undertaken by the OFCCP staff.

OFCCP's basic enforcement tools continue to be compliance reviews of contractor establishments and complaint investigations. When a finding of noncompliance is made, and if conciliation efforts with the contractor fail, appropriate enforcement action is taken.

The OFCCP mission continues to be the enforcement of regulations requiring Federal contractors to take affirmative action and eliminate discrimination from the workplace, and to obtain redress for victims of discrimination. Emphasis will continue to be devoted to: (1) supporting Work Force 2000 goals to improve the quality of life of the American worker; (2) resolving complaints promptly; (3) improving the compliance review process; (4) using objective selection procedures to schedule contractor establishments for compliance review; (5) encouraging voluntary affirmative action by increasing liaison with, and technical assistance to, contractors and other interested groups; (6) linking recruitment and training sources with specific contractor job opportunities; and (7) maintaining and improving quality by ensuring consistent application of established policies and procedures throughout the program.

1991 Budget Request

The resources requested for this program are $53,645,000 and 968 FTEs. The requested funding includes an additional $92,000 for expert witness/litigation support for unique litigation efforts and for carrying out court-mandated activities.

OFCCP projects that 6,150 compliance reviews will be completed. The enforcement staff level will remain at 585 Equal Opportunity Specialists (EOSs). Workers in facilities to be reviewed are estimated at 4,200,000. In FY 1991, complaints will continue to be serviced on a current basis. It is estimated that a total of 1,085 complaint investigations will be completed and/or resolved, leaving an inventory of 575.

OFCCP will continue to seek improvements in quality enforcement actions resulting in increased job opportunities for covered workers. In FY 1991, efforts will continue to streamline the enforcement process by eliminating unnecessary and burdensome procedural steps and continue staff development through the OFCCP Training Academy to increase quality and efficiency in the compliance review process and the investigation of complaints.

Priority will also be given to placing women, minorities, individuals with disabilities, and veterans in mid- and high-level corporate positions; encouraging Government contractors to expand the use of outreach and training opportunities for minorities, women, veterans, and individuals with disabilities;

placing women in nontraditional occupations such as technician and craft jobs in the aerospace and construction industries; and continuing the initiative, started in FY 1989, to emphasize full service and supply reviews that evidence systemic employment discrimination violations.

OFCCP's compliance support activities will include 4,035 actions to monitor conciliation agreements and letters of commitment. OFCCP will also continue to enhance its management information systems to improve the quality, integrity, and timeliness of data used in evaluating contractor performance and program accomplishments.

Table 1
Federal Contractor EEO Standards Enforcement
Workload Statistics

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Total Compliance Reviews	6,232	6,100	6,150
Aged Compliance Reviews (percent)	9.9	5	5
Total Complaints Investigated/Resolved	1,321	1,070	1,085
Aged Complaint Cases (percent)	2.8	5	5
Total Complaint Case Inventory	599	575	575
Total Other Compliance Actions	7,268	5,634	5,679
Actions monitoring letters of commitment/conciliation agreements	(4,450)	(4,000)	(4,035)
Actions monitoring consent decrees	(267)	(340)	(340)
Liaison groups established	(15)	(19)	(19)
Linkage agreements (Recruitment/Referral)	(2,536)	(1,275)	(1,285)

1990

The level of resources is $52,985,000 and 968 full-time equivalent (FTE) staff years. In FY 1990, 6,100 compliance reviews will be completed and complaints will be serviced at normal pipeline levels; i.e, a total of 1,070 complaints will be investigated/resolved, leaving an inventory of 575. The number of actions monitoring conciliation agreements will be 4,000. The number of actions monitoring consent decrees has decreased from the original estimate of 800 as consent decrees affecting universities and the trucking and steel industries are no longer in effect. Additional improvements will be made in ADP capabilities; support staff productivity improvements will result from the expanded use of ADP equipment. OFCCP training initiatives will continue the process of improving the quality of the OFCCP workforce. The remaining chapters of the revised Federal Contract Compliance Manual will be issued during the year which will assure that up-to-date policy and guidance is available to all employees.

1989

There were 6,232 compliance reviews completed and 1,321 complaints were investigated and resolved. The complaint inventory in all programs was maintained at manageable levels. The number of linkage agreements for recruitment and referral increased 23 percent, to 2,536. A total of $36,799,000 in financial agreements were obtained, including back wage agreements of $21,634,000 for more than 6,630 workers. The number of workers in facilities reviewed totaled 2,942,000. A number of management initiatives were put into effect resulting in increased program enforcement activity, improved quality, and greater program effectiveness.

Changes for 1991

Activity Changes:

Built-In:

Personnel compensation	+$780,000
Personnel benefits	+198,000
Federal Employees' Compensation Fund	+108,000
Space rent	+179,000
Other rental, supplies and equipment	+22,000
Working Capital Fund	+171,000
Total built-in	+$1,458,000
Net program	-$798,000
FTE	---

Federal Contractor EEO Standards Enforcement

Proposal: To increase funding by $92,000 in the Office of Federal Contract Compliance Programs for expert witnesses and litigation support activities.

Rationale: The proposed increase is required to support unique litigation efforts such as the recently settled Harris Bank case and to ensure the continued effectiveness and credibility of major enforcement efforts through the use of expert testimony.

Program Effects: The funds will allow the program to carry out Court mandated activities in their enforcement of the Executive Order and other legal mandates and to provide for a credible litigation program.

Base:
FTE: 968 Estimate: $54,443,000

Program Increase:
FTE: --- Estimate: +$92,000

Federal Contractor EEO Standards Enforcement

Proposal: To decrease funding by $833,000 in the Office of Federal Contract Compliance Programs for permanent change of station moves, transportation and travel.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. These reductions were taken so as to direct resources to the highest priorities within the program.

Program Effects: The proposed decrease will limit the number of approved PCS moves to fill critical management and enforcement positions and will require the program to reduce and carefully scrutinize enforcement and other travel expenditures.

Base:

FTE:	968	Estimate:	$54,443,000

Program Decrease:

FTE:	---	Estimate:	-$833,000

Federal Contractor EEO Standards Enforcement

Proposal: To decrease funding by $57,000 in the Office of Federal Contract Compliance Programs for other services.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. These reductions were taken so as to direct resources to higher priorities within the program.

Program Effects: The proposed decrease will require the program to reduce or delay the planned initiatives requiring funding of training and tuition, other contracts, and miscellaneous other services.

Base:

FTE:	968	Estimate:	$54,443,000

Program Decrease:

FTE:	---	Estimate:	-$57,000

FEDERAL PROGRAMS FOR WORKERS' COMPENSATION

1990 Appropriation 1/		1990 Estimate 2/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1,338	$87,442,000	1,336	$87,403,000	-2	-$39,000	1,346	$89,925,000	+10	$2,522,000

1/ Included in 1990 Appropriation above:
Reduction pursuant to P.L. 101-166 -$599,000

2/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177... -$8,000
Ceiling adjustment for:
Departmental Management .... -$31,000
Comparative transfer to:
Working Capital Fund .... -2 FTE

Introduction

This activity administers three major disability compensation programs which mitigate, through the provision of cash benefits, medical treatment, vocational rehabilitation, and other benefits, the financial burden on certain workers, or their dependents or survivors, resulting from work related injury or disease. The Federal Employees' Compensation Act (FECA) program provides income and medical cost protection to civilian employees of the Federal Government injured at work and to certain other designated groups. The Longshore and Harbor Workers' Compensation Act program provides similar protection to private sector workers engaged in certain maritime and related employment. The Black Lung Benefits program provides protection to the nation's coal miners suffering from pneumoconiosis. These benefits are financed through direct Federal appropriations, earmarked tax revenues, and legislatively mandated private sector liability insurance arrangements.

The major objective of this activity is to ensure that the interests of eligible workers, employers, and the Federal Government are properly protected throughout all stages of the claims management process. Promptly processing incoming and pending workloads while maintaining a high degree of accuracy, fiscal integrity, and constituent service, and returning employees to work, remain the goals of the programs. Each program is developing and implementing a modern ADP system to enhance operations in all phases of claims management, fiscal controls, workload management, and management information. Standards for the development and adjudication of claims and effective case management assure that claims are processed in a timely manner in accordance with applicable laws and regulations and that workers receive good medical care and any assistance needed to return to productive work. Efforts will continue to improve cash management, reduce erroneous benefit payments, and effectively manage the program's accounts receivables.

FECA will emphasize services to injured workers while containing compensation and medical cost increases by managing claims more effectively. This includes an expanded program to identify and provide services to workers who need vocational and medical services at an early stage, thus returning them to work sooner. FECA will continue to modernize and improve its automated systems, and to provide technical assistance to Federal agencies.

In the Longshore and Harbor Workers' Compensation Program, enhanced fiscal monitoring of the Special Fund will be a priority. The program's automated rehabilitation and medical bill payment systems, claims processing, and adjudication services will also be improved.

Black Lung program priorities are to maintain prompt adjudication of claims, continue efforts to achieve the highest possible level of accuracy in the payment of income maintenance and medical care benefits, and further increase effective management of the program's debt portfolio.

A. Federal Employees' Compensation Act

1991 Budget Request

Resource levels are $52,513,000 and 888 full-time equivalent (FTE) staff years. Resources requested include 10 FTE and $387,000 in funding to expand efforts and demonstrate new techniques to foster the prompt reemployment of injured workers and reduce long-term wage replacement benefit costs.

A major focus for FY 1991 will be to improve services to injured workers while containing compensation and medical cost increases by more aggressively managing claims after adjudication. New disability management techniques were recommended, in part, by the Office of Inspector General, and are modeled after modern practices in non-Federal compensation programs. The program will integrate the work of claims examiners and rehabilitation staff to provide more continuous monitoring and provision of appropriate services from the point of accepting the claim through return to employment. This is staff intensive and will utilize the additional 10 FTE requested for FY 1991.

These new claims management techniques should result in overall savings in compensation paid to beneficiaries. The additional staff dedicated to the reemployment of injured workers can be expected to pay for itself with the savings realized in compensation costs. Cost savings are even greater when the lifetime savings for each rehabilitated employee are considered.

FECA will also continue improvements to its automated case management, medical bill payment, and financial management systems. These enhancements will integrate currently separate systems, improving security, accuracy of the work product, and program performance.

Table 1

Federal Employees' Compensation Act

Workload Statistics

Workload	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Cases Received	173,282	171,000	171,000
COP Cases	79,534	74,000	74,000
Wage Loss Claims	20,396	20,000	20,000
Periodic Roll Cases	54,299	54,600	53,800
Cases Closed	215,945	190,700	198,600
New Rehabilitations	1,391	1,300	1,420
Periodic Roll Reviews			
Number	56,795	52,400	54,500
Savings (000)	$24,131	$21,300	$22,200
Compensation and Medical Payments	1,962,062	1,700,000	1,750,000
Unreviewed/Unadjudicated Case Inventory	12,202	12,900	11,750

1990

The level of resources is $51,135,000 and 878 FTEs. FECA's enhanced automation effort is directed toward better integration of the major components of its automated support system, increased uniformity of decision-making, expanded access to information to allow more timely processing, better management information, and a reduction of manual/clerical activities. The program will convert all offices to new computer hardware in FY 1990 under the Federal Employees' Data System Enhancement Project (FDSEP).

Other goals will be to continue prompt payment of wage loss compensation without interruption of income to injured employees. FECA will emphasize efficiency in claims adjudication and claims maintenance through improving the management of office operations and case processing, the quality and timeliness of processing, and the quality of personal service delivered to its claimants. New methods for early intervention and expanded review of disability cases for reemployment potential will maintain the increases achieved in the number of people returning to work.

1989

Incoming claims in FY 1989 increased by three percent over FY 1988 levels. New procedures requiring reporting of minor injuries accounted for a substantial portion of this increase. New rehabilitation procedures were implemented and the number of rehabilitations increased as a result of a successful pilot program conducted during FY 1987. FECA continued the timely processing of claims for compensation, and significantly improved the timeliness of processing medical bills.

B. Longshore and Harbor Workers' Compensation Act

1991 Budget Request

The resources requested in FY 1991 are $9,142,000 and 142 FTE. This funding level includes an increase of $80,000 for ADP equipment rental necessary for completing the integration of the Longshore Case Management System (LCMS) into the ESA automated system, by linking non-collocated offices to regional computers.

Incoming workload is expected to remain stable in FY 1991, as will output for certain related workload categories. Thus, program emphasis in FY 1991 will be placed on the timely processing of compensation cases and improved quality of casework. The program will continue to refine management tools such as ADP improvements to its case management, rehabilitation bill payment, and financial management systems, and to improve the quality and timeliness of case processing. Also, the initiative begun in FY 1990 directed toward further ensuring the integrity of the Longshore Special Fund by strengthening oversight procedures will continue. These include enhanced review and analysis of applications for authorization to self-insure and audits of reports of payment to ensure equitable assessments. The program will intensify reviews of employers' outstanding liabilities to ensure that employers' security deposits are adequate to cover future compensation liabilities in the event of insolvencies. The reviews will be increased to 70 in FY 1991, effectively doubling the number of such reviews conducted in FY 1988.

Table 2

Longshore and Harbor Workers' Compensation Act

Workload	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Lost-time Injuries Reported	38,253	38,000	38,000
Lost-time Cases Closed	43,272	36,860	36,860
Informal Conferences	5,235	5,433	5,300
Cases Being Compensated	18,455	17,500	17,600

FY 1990

The level of resources is $8,537,000 and 142 FTE. Primary program objectives continue to be improvement in quality of case management and timeliness in claims processing.

A major new initiative is being implemented in FY 1990 to further ensure the fiscal integrity of the Longshore Special Fund by strengthening the program's oversight procedures. Special Fund outlays have increased from $3 million in FY 1976 to $73 million in FY 1989. This growth necessitates significant changes in the quality and nature of monitoring of the companies participating in the assessment system.

Additional contract support, financed from the Special Fund Assessment, will review and analyze applications for authorization to write coverage or become self-insured, review employer/carrier reports, conduct reviews of self-insured employers, and provide data entry support.

1989

Major activities in FY 1989 included evaluation of the operation of the automated Special Fund Benefits Pay Assessment System implemented in FY 1987. Modifications and enhancements were made to the system to improve its effectiveness. In addition, refinements were made to the Longshore Case Management System to maximize its utilization and productivity improvement potential.

C. Black Lung Benefits Act

1991 Budget Request

Resources requested are $28,270,000 and 316 FTEs. Funding requested includes an additional $125,000 for systems furniture and upgraded telephone systems, and $10,000 for expert witness fees to protect the financial interests of the Trust Fund. Systems furniture along with modern telephone equipment will be installed in field locations over a two to three year period to comply with government-wide space reduction initiatives and to derive full benefit from the "800" telephone service installed as part of the consolidation of offices and downsizing of staff. Expert witnesses will allow the Department of Labor to offer appropriate expert testimony in defending against appeals brought against the Trust Fund.

The major focus will continue to be on primary adjudication functions. The program will continue to emphasize accuracy in income maintenance and medical care payments, to maintain the timeliness of case processing, and to further increase the effectiveness of management of the program's debt portfolio.

Table 3

Black Lung Benefits Act

Workload Statistics

Workload	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Claims Received [1]	9,320	9,300	9,000
Initial Findings [2]	6,947	6,700	6,450
Survivor Conversions	2,658	2,700	2,600
Claims Inventory	2,338	2,269	2,200
Periodic Case Reviews	25,859	20,600	22,000
Case Referrals to OALJ	2,452	2,300	2,300
Total Records Referred to BRB	3,380	2,950	2,800
Accounts Receivable Resolutions (000)	$60,486	$32,150	$30,950
Total Beneficiaries	125,728	119,000	113,000
(Monthly Benefits)	(82,898)	(81,000)	(79,000)
(Medical Benefits Only)	(42,830)	(38,000)	(34,000)

[1] Includes new filings, refilings, and requests for conversion to survivor status upon the death of the miner beneficiary.

[2] Initial findings are made only on new and refiled claims. Survivor conversions do not require an initial finding.

1990

The level of resources is $27,731,000 and 316 FTEs. A major program effort will be to ensure a smooth transition to the new support services contract while maintaining timely services to claimants and proper benefit payments.

To maintain efficiency while incoming and attendant workloads are declining and to maintain a quality level of service will require several adjustments by the Black Lung Program. One initiative is to close underutilized Black Lung field stations and provide the services performed by those offices through other parts of the delivery system. Further, staff reductions will be taken in the National Office where hearings and appeals workloads have declined, and 18 positions will be converted nationwide by contracting out mail and file functions. Toll-free "800" telephone numbers will be installed to provide convenient access to the program at no cost to claimants. Reimbursement will be paid to the Social Security Administration for anticipated additional claims intake services provided. Position vacancies in district offices and elsewhere within OWCP and in ESA may be filled by relocating staff affected by the reductions.

Efforts will continue to maintain the timeliness of claims processing and to achieve the highest possible level of accuracy in the payment of monthly income and medical benefits.

1989

Overall program timeliness was maintained in all measures for which there is a performance standard. A major accomplishment was resolution of $60,486,000 in accounts receivable, based on increased debt recovery and greater exercise of waiver and write-off authority. Recompetition of the contract for ADP services was successfully concluded and a transition implemented smoothly.

Changes for 1991

Activity Changes:

Built-In:

Personnel compensation	+$2,456,000
Personnel benefits	+388,000
Federal Employees' Compensation Fund	+54,000
FERS	+34,000
Space rent	+274,000
Other rental and supplies	+45,000
Other services	+91,000
Working Capital Fund	+7,000
Printing	+20,000
Total built-in	+3,369,000
Net program	-$847,000
FTE	+10

Federal Programs for Workers' Compensation

Proposal: To provide a funding increase of $387,000 and 10 FTE to the Federal Employees' Compensation Act program.

Rationale: Early positive contact with injured employees is widely recognized in the compensation field as important to interrupt the disability syndrome, foster good medical treatment, and turn the worker's attention to getting ready to go back to work. Where vocational rehabilitation services will be needed, programs which are started early in the disability period have the greatest chance of success. Small-scale tests by the Office of Workers' Compensation programs in fiscal years 1989 and 1990 give strong evidence that this approach can be cost-effective in the Federal Employees' Compensation Program, where the greatest cost stems from extended wage-loss payments to disabled employees on the periodic roll. The first-year savings when an employee is successfully returned to work with no loss of earning capacity averages $20,000. Lifetime savings for each employee who would otherwise have continued on the FECA disability rolls are much greater. Thus, additional staff dedicated to early intervention, aggressive case management, and provision of effective rehabilitation services to injured workers can be expected to pay for itself with savings in compensation costs.

Aggressive intervention and the adoption of positive techniques used in the private sector were recommended to the program in a study of non-Federal compensation programs conducted by the Department of Labor's Office of Inspector General. The ten new staff being requested will be used for a demonstration project to determine the extent to which intensive rehabilitation and reemployment efforts can make a significant difference in reducing both disability and cost. The techniques to be used include early identification of long-term disability cases, early and active intervention to insure good medical care, personal contact to maintain the employee's positive attitude toward returning to work, and reaching out to Federal employers to encourage them to promote light duty and alternative employment for their injured workers.

Program Effects: Within the first year of bringing on new staff, case management efforts should reduce compensation costs and increase the numbers of injured workers returned to work. As a consequence, an additional 120 rehabilitations are expected in FY 1991. Case closings will increase as cases are moved more quickly through the system, and the number of employees on the periodic (long-term) disability roll will decrease. Savings resulting from returns to work will offset the cost of additional staff.

Base:
FTE: 878 Estimate: $52,846,000

Program Increase:
FTE: +10 Estimate: +$387,000

Federal Programs for Workers' Compensation

Proposal: To provide funding of $80,000 to the Longshore and Harbor Workers' Compensation Act program for ADP rental.

Rationale: Additional funds are necessary to continue needed automation initiatives in ESA's Strategic Plan for Information Resources Management. Funding is required to give five Longshore offices access to the Sequent minicomputers located in regional offices, where their data will be processed, via the Department's telecommunications network. This will complete the transfer of Longshore computer operations to ESA regional data processing facilities in order to realize the many operational benefits that accrue from integrating the various programs' ADP systems within a single ESA architecture.

Program Effects: The funds will provide for continuation of our long-term program to expand the availability of and integrate new technology, thereby improving the quality and effectiveness of our benefit programs and increasing our productivity.

Base

FTE: 142 Estimate: $9,173,000

Program Increase:

FTE: --- Estimate: +$80,000

Federal Programs for Workers' Compensation

Proposal: To provide an increase of $10,000 in funding for the Black Lung Benefits Act program for expert witness fees.

Rationale: The Black Lung program requires funding to present expert testimony when claimants, appealing previously denied claims, bring their own expert witnesses to testify. DOL attorneys, defending the Fund, are currently unable to offer expert testimony due to lack of witness fees.

Program Effects: Analysis by the Office of Solicitor in Philadelphia indicates that at least 50 cases were lost in FY 1988 due to lack of expert testimony. The total value of these cases was $7,500,000. Thus a considerable net cost savings could have been obtained.

Base:

FTE: 316 Estimate: $28,753,000

Program Increase:

FTE: --- Estimate: +$10,000

Federal Programs for Workers' Compensation

Proposal: To provide an increase of $125,000 in funding in the Black Lung Benefits Act program for installation of modern telephone equipment and systems furniture in field locations phased in over a two to three year period.

Rationale: New telephone equipment is needed to tie into and improve the effectiveness of the "800" number telephone system being installed in FY 1990, as replacement for walk-in service in field stations. The installation of systems furniture in other ESA offices has contributed greatly to improving the quality of work life for the agency's employees, as well as making progress in the government-wide space reduction initiative.

Program Effects: The updated telephone systems will provide adequate capacity to improve claimant services through the ability to transfer calls, to answer multiple lines, and to fully realize the benefits of the toll-free telephone lines. Systems furniture provides for an efficient use of office space contributing to improvement of employees' physical work environment and to meeting the mandate of the government-wide space reduction initiative.

Base:
FTE: 316 Estimate: $28,753,000

Program Increase:
FTE: --- Estimate: +$125,000

Federal Programs for Workers' Compensation

Proposal: To decrease funding by $271,000 in the Federal Employees' Compensation Act program, by $67,000 in the Longshore and Harbor Workers' Compensation Act program, and by $7,000 in the Black Lung Benefits Act program for permanent change of station moves, transportation and travel.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. The reductions were taken so as to direct resources to the highest priorities within the programs.

Program Effects: The proposed decrease will limit the number of approved PCS moves for critical management positions and will require the programs to reduce travel in claims adjudication efforts.

Base:
FTE: 1,336 Estimate: $90,772,000

Program Decrease:
FTE: --- Estimate: -$345,000

Federal Programs for Workers' Compensation

Proposal: To decrease funding by $430,000 in the Federal Employees' Compensation Act program, by $40,000 in the Longshore and Harbor Workers' Compensation Act program, and by $611,000 in the Black Lung Benefits Act program for information resources management (IRM) and ADP areas.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. These reductions were taken so as to direct resources to the highest priorities within the programs.

Program Effects: The proposed decrease will require the programs to delay the development and implementation of planned improvements in their information management systems intended to improve program operations and the quality of services to the client populations.

Base:
FTE: 1,336 Estimate: $90,772,000

Program Decrease:
FTE: --- Estimate: -$1,081,000

Federal Programs for Workers' Compensation

Proposal: To decrease funding by $19,000 in the Federal Employees' Compensation Act program and by $4,000 in the Longshore and Harbor Workers' Compensation Act program for other services.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. These reductions were taken so as to direct resources to higher priorities within the programs.

Program Effects: The proposed decrease will require the programs to reduce or delay planned training initiatives.

Base:
FTE: 1,020 Estimate: $62,019,000

Program Decrease:
FTE: --- Estimate: -$23,000

EXECUTIVE DIRECTION AND SUPPORT SERVICES

1990 Appropriation 1/		1990 Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
191	$14,655,000	191	$14,655,000	---	---	191	$14,787,000	---	+$132,000

1/ Included in 1990 Appropriation above:
Reduction pursuant to P. L. 101-166 -$122,000

Introduction

The Executive Direction and Support Services (EDSS) activity directs the various units that support the Employment Standards Administration's operating programs and assures effective management of these programs. ESA contributions to the goals of the Secretary's Management by Objective system and related ESA management and quality improvement goals, human resource planning and information resources management initiatives will continue. EDSS also will continue to direct an aggressive Affirmative Employment Program to enhance equal employment opportunity efforts within the agency; oversee quality of worklife initiatives; implement and monitor internal management control systems to assure more effective program planning and management of resources, and prevent waste, fraud, and abuse; promote accomplishment of programmatic goals and objectives; improve agency recruitment efforts; enhance training and career development initiatives; maintain integrity and cost control efforts related to travel, space, cash management and other administrative areas; continue to manage its FECA caseload to ensure prompt claims processing and to address the rehabilitation and reemployment needs of injured ESA workers; and continue to provide effective executive direction and high quality support services (including personnel, financial, facilities management, and the like) to the agency's operating programs to maintain and enhance their ability to provide credible, effective labor standards enforcement and client services.

1991 Budget Request

Resources requested are $14,787,000 and 191 FTE. EDSS will continue to provide guidance, leadership and services to ESA's program agencies in the areas of Information Resources Management, productivity and quality improvement, Secretarial goals and objectives and in support services functions. Increased emphasis will be placed on strategic planning and policy management to ensure that major initiatives are accomplished effectively. In conjunction with ESA's five year strategic IRM plan, EDSS will ensure a well-planned and smoothly-implemented increase in computing capability and applications within the Agency so that all equipment will be compatible with the potential for connectivity and/or cross-program utilization while still meeting individual programmatic needs through specific equipment and software configurations. The ESA regional ADP network will be fully implemented, and local area networks (LANs) will be expanded to provide broader access to office automation and other productivity enhancing tools.

EDSS will continue to provide leadership on ESA's quality improvement efforts through four basic strategies: (1) promoting employee involvement in identifying and implementing opportunities for further improvements; (2) broadening the use of technology to improve delivery of services; (3) simplifying work processes and requirements while improving the quality of agency products and services; and, (4) improving the organizational structure, where appropriate. Pilot projects in implementing "Total Quality Management" concepts begun in FY 1989 will be continued and expanded.

To provide a high quality workforce and make the fullest use of available personnel, ESA, in conjunction with Department-level units, will continue to pursue its highly successful cooperative education employment program; develop and support program, administrative, and management training efforts; enhance quality of worklife initiatives; and carry out other measures focused on ensuring that ESA is prepared for the significant shifts in the composition of its own workforce anticipated during the next decade. EDSS will also continue to develop and address the same issues as they apply to the American workforce served by our programs. Emphasis will continue to focus on the accomplishment of ESA's five year (FY 1988-1992) Affirmative Employment Program Plans.

1990

The level of resources is $14,655,000 and 191 FTEs. EDSS continues to provide efficient and effective policy development and executive direction to ESA's operating programs. Major emphasis is being directed towards the development and enhancement of the agency's personnel. In FY 1990, EDSS will continue to provide support to the ESA cooperative education employment program in an effort to attract, develop, and retain high quality entry-level professionals. Training enhancements will improve the ability of program staff to provide credible, efficient, and effective enforcement and services. Efforts will be directed towards the implementation of a Supervisory Candidate Program to better prepare qualified ESA employees for management vacancies.

Increased utilization and better management of information resources continue to be priorities, with a focus in 1990 on the expanded implementation and support of end-user (microcomputer) technology, as provided for in the agency's five year Strategic Plan for IRM. ESA will continue to acquire microcomputers, software and peripherals and will begin implementing LANS in the national office, as specified by the DOL ITA-2000 initiative. In addition, EDSS continues to lead the FDSEP effort to develop and implement a replacement ADP system for the agency. Activities in 1990 will include installation of replacement hardware, conversion of the existing software system, and planning for enhanced capabilities to be implemented incrementally in the future.

Emphasis continues on the accomplishment of ESA's five year Affirmative Employment Plan with increased attention directed to the identification of local barriers to equal employment opportunity and implementation of action plans to address these problems.

1989

EDSS provided effective overall policy and executive direction to all ESA components. Significant accomplishments were achieved in the IRM area with the expansion of utilization of microcomputers to promote efficiency and interconnectivity.

In an effort to address human resource needs, a very successful cooperative education program continued to provide a means to attract entry-level professionals. EDSS developed an ESA policy consistent with the Department's Performance Management System for GS employees and initiated an agency-wide pilot to conduct all GS appraisals at one time. EDSS also directed the Agency to another exemplary year in Affirmative Employment Plan accomplishments.

Changes for 1991

Activity Changes:

Built-In:

Personnel compensation	+$454,000
Personnel benefits	-133,000
Federal Employees' Compensation Fund	-13,000
Space rent	+99,000
Working Capital Fund	-3,000
ADP	+30,000
Total built-in	+$434,000
Net program	-$302,000
FTE	---

ESA-50

Executive Direction and Support Services

Proposal: To decrease funding by $101,000 in the Executive Direction and Support Services activity for permanent change of station moves, transportation and travel.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. These reductions were taken so as to direct resources to the highest priorities within the activity.

Program Effects: The proposed decrease will limit the number of approved PCS moves to fill critical executive positions and require reducing travel necessary to carry out operational oversight and administrative functions.

Base:
FTE: 191 Estimate: $15,089,000

Program Decrease:
FTE: --- Estimate: -$101,000

Executive Direction and Support Services

Proposal: To decrease funding by $201,000 in the Executive Direction and Support Services activity for other services.

Rationale: The proposed decrease is to achieve FY 1991 budgetary constraints. These reductions were taken so as to direct resources to the highest priorities within the activity.

Program Effects: The proposed decrease will require the program to reduce or delay planned initiatives requiring funding for research, training and tuition, and miscellaneous other services.

Base:
FTE: 191 Estimate: $15,089,000

Program Decrease:
FTE: --- Estimate: -$201,000

NEW POSITIONS REQUESTED

	1991		
	Grade	Number	Annual Salary
Activity 3: Federal Programs for Workers' Compensation			
Field Office			
Rehabilitation Nurses	GS-07	6	$87,719
Rehabilitation Specialists . .	GS-12	4	$103,740
Total, New Positions		10	$191,459

ADVISORY AND ASSISTANCE SERVICES [1]

EMPLOYMENT STANDARDS ADMINISTRATION
Salaries and Expenses

	FY 1990	FY 1991
Type of Services		
Advisory and Assistance Services	---	$30,000
Personnel Appointments:		
a. Consultants and Experts	---	---
b. Advisory Commission Members	---	---
Total	---	$30,000

Justification of 1991 Request

Activity 1. Enforcement of Wage and Hour Standards ($0):

None.

Activity 2. Federal Contractor EEO Standards Enforcement ($0):

None.

Activity 3. Federal Programs for Workers' Compensation ($0):

None.

Activity 4. Executive Direction and Support Services ($30,000):

These funds will be used for special projects or consultants for the Assistant Secretary.

[1] The Cabinet Council on Management and Administration (CCMA) defines advisory and assistance services as those activities funded under six categories of procurements found in the Federal Procurement Data System. These categories include: (1) Management and Professional Services, (2) Special Studies and Analysis, (3) Management and Support Services for Research and Demonstration, (4) Training, (5) Management Review of Program-Funded Organizations, and (6) Public Relations.

Type size:
[illegible]

STANDARD FORM 306
July 1966, Bureau of the Budget
Circular No. A-11, Revised.

ESA-53

DETAIL OF PERMANENT POSITIONS

	1989 actual	1990 estimate	1991 estimate
Executive Level IV	1	1	1
Executive Level V	1	1	1
Subtotal	2	2	2
ES-6	1	1	1
ES-5	---	---	---
ES-4	18	18	18
ES-3	3	3	3
ES-2	1	1	1
ES-1	1	1	1
Subtotal	24	24	24
GS/GM-15	64	63	61
GS/GM-14	245	241	204
GS/GM-13	454	448	482
GS-12	1,437	1,417	1,421
GS-11	656	647	647
GS-10	4	4	4
GS-9	214	211	211
GS-8	31	31	31
GS-7	293	288	294
GS-6	246	243	243
GS-5	390	384	384
GS-4	137	136	135
GS-3	39	39	39
GS-2	0	0	0
GS-1	0	0	0
Subtotal	4,210	4,152	4,156
Ungraded	---	---	---
Total Permanent Positions 1/	4,236	4,178	4,182
Unfilled Positions, end-of-year	-189	---	---
Total permanent employment, end-of-year	4,047	4,178	4,182
1/ Worker-Trainee Opportunity Program Positions included in above	(7)	(7)	(7)
([illegible]: 10.8)	([illegible]: 6.0)	([illegible]: 6.0)	([illegible]: 6)

EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

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EMPLOYMENT STANDARDS ADMINISTRATION

SPECIAL BENEFITS

For the payment of compensation, benefits, and expenses (except administrative expenses) accruing during the current or any prior fiscal year authorized by title V, chapter 81 of the United States Code; continuation of benefits as provided for under the head "Civilian War Benefits" in the Federal Security Agency Appropriation Act, 1947; the Employees' Compensation Commission Appropriation Act, 1944; and sections 4(c) and 5(f) of the War Claims Act of 1948 (50 U.S.C. App. 2012); and 50 per centum of the additional compensation and benefits required by Section 10(h) of the Longshore and Harbor Workers' Compensation Act, as amended, [$255,000,000] *$322,000,000*, together with such amounts as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to [September] *June* 15 of the current year: *Provided, That balances of reimbursements from Federal government agencies unobligated on September 30, 1990, shall remain available for the payment of compensation, benefits, and expenses through September 30, 1991: Provided further*, That in addition there shall be transferred from the Postal Service fund to this appropriation such sums as the Secretary of Labor determines to be the cost of administration for Postal Service employees through September 30, [1990] *1991. (5 U.S.C. 8147, 8191-93; 33 U.S.C. 901, 944(a); 42 U.S.C. 1701; 50 U.S.C. 2001-3013; Department of Labor Appropriations Act, 1990.)*

ANALYSIS OF APPROPRIATION LANGUAGE

". . . together with such amounts as may be necessary to be charged to the subsequent year appropriation for the payment of compensation and other benefits for any period subsequent to [September] *June* 15 of the current year: . . ."	This language provides authority to advance funds from the next fiscal year appropriation anytime between June 15 and September 30 of the current year. It enables the Employment Standards Administration to meet any immediate shortage of funds during this period without having to request additional resources through a supplemental appropriation. The earlier draw down date of June 15 will allow maximum flexibility for continuation of benefit payments without interruption should a shortage of funds occur.
". . . *Provided, that balances of reimbursements from Federal government agencies unobligated on September 30, 1990, shall remain available for the payment of compensation, benefits, and expenses through September 30, 1991*: . . ."	This language provides authority to carry over an unobligated balance of deposits to the FECA account at the end of the fiscal year for use the following fiscal year. If this proviso were not in this language, any unobligated deposits remaining at the end of the fiscal year would lapse to Treasury and therefore be unavailable to the Employment Standards Administration as resources to offset compensation, medical and other benefit payments and expenses. In particular, this language is proposed to accommodate the change in the Federal Employees' Compensation Act contained in P.L. 101-239 in the schedule for reimbursements by the U.S. Postal Service to this account by changing the due date for the U.S.P.S. to 30 days after receipt of their FECA bill. This moves the due date forward into the same fiscal year as U.S.P.S. is billed. Prior to the amendment in P.L. 101-239, U.S.P.S. would reimburse DOL for FECA costs in the fiscal year following receipt of their FECA bill.

". . . *Provided further*, That in addition there shall be transferred from the Postal Service fund to this appropriation such sums as the Secretary of Labor determines to be the cost of administration for Postal Service employees through September 30, [1990] *1991*."	This language provides authority to transfer from the Postal Service fund to this account administrative costs incurred by the Employment Standards Administration for servicing Postal Service employees during the current fiscal year. If this proviso were not in this language, these expenses would be paid directly into the Treasury as miscellaneous receipts as authorized by Section 8149 of the Federal Employees' Compensation Act.

AMOUNTS AVAILABLE FOR OBLIGATION

	1989	1990	1991
Appropriation .	$255,000,000	$255,000,000	$322,000,000
Appropriation available from subsequent year	85,975,000	25,000,000	---
Appropriation available in prior year . .	-43,000,000	-85,975,000	-25,000,000
A. Subtotal, appropriation	297,975,000	194,025,000	297,000,000
Offsetting collections from: Federal agencies .	1,062,793,000	1,528,000,000	1,343,000,000
Unobligated balance of receipts available, start of fiscal year:	---	---	236,000,000
B. Total Available Obligational Authority .	$1,360,768,000	$1,722,025,000	$1,876,000,000
Unobligated balance of receipts available, end of fiscal year: .		-236,000,000	-263,000,000
C. Total, estimated obligations	$1,360,768,000	$1,486,025,000	$1,613,000,000

SB-6

SUMMARY OF CHANGES

Budget Authority:	1990	1991	Net Change
Amounts available for obligation	$1,722,025,000	$1,876,000,000	+$153,975,000
Total	$1,722,025,000	$1,876,000,000	+$153,975,000

	General Funds	Offsetting Collections from Federal Agencies	Total
Explanation of Change:			
Increases			
Built In:			
Federal Employees' Compensation Act benefits	+$102,975,000	---	+$102,975,000
Carryover from fiscal year 1990	---	+236,000,000	+236,000,000
Total Increase	+102,975,000	+236,000,000	+338,975,000
Decreases			
Built In:			
Federal Employees' Compensation Act benefits	---	-185,000,000	-185,000,000
Total Decrease	---	-185,000,000	-185,000,000
Total Change	+$102,975,000	+$51,000,000	+$153,975,000

OBLIGATIONAL AUTHORITY BY ACTIVITY

	1989 Actual	1990 Appropriation	1990 Estimate [1]	1991 Estimate [2]	Change
1. Federal Employees' Compensation Act benefits	$1,356,606,000	$1,367,000,000	$1,718,025,000	$1,872,000,000	+$153,975,000
2. Longshore and Harbor Workers' Compensation Act benefits	4,162,000	4,000,000	4,000,000	4,000,000	---
Total Obligational Authority	$1,360,768,000	$1,371,000,000	$1,722,025,000	$1,876,000,000	+$153,975,000

[1] Included in 1990 Estimate above:
Unobligated balance of receipts
available, end of fiscal year: $236,000,000.

[2] Included in 1991 Estimate above:
Unobligated balance of receipts
available, end of fiscal year: $263,000,000.

SB-8

BUDGET AUTHORITY BY OBJECT CLASS

	1989 Actual	1990 Estimate	1991 Estimate
Insurance claims and indemnities	$1,360,768,000	$1,486,025,000	$1,613,000,000
Unobligated balance available, start of year . . .	---	---	-236,000,000
Unobligated balance available, end of year . . .	---	+236,000,000	+263,000,000
Unobligated balance lapsing . . .	---	---	---
Amount drawndown from subsequent year	-85,975,000	-25,000,000	---
Amount drawndown in prior year	+43,000,000	+85,975,000	+25,000,000
Deduct:			
Offsetting collections from Federal Agencies . .	-1,062,793,000	-1,528,000,000	-1,343,000,000
Total, budget authority by object	$255,000,000	$255,000,000	$322,000,000

SIGNIFICANT ITEMS IN FY 1990
HOUSE AND SENATE APPROPRIATION COMMITTEES' REPORTS

Item	Action taken or to be taken
1990 House Report (No. 101-172)	
No specific action recommended.	
1990 Senate Report (No. 101-127)	
No specific action recommended.	
1990 Conference Report (No. 101-274)	
No specific action recommended.	

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request 1990	Budget Request 1991
Authorizing legislation containing specific authority		
Federal Employees' Compensation Act, approved September 7, 1916, 5 U.S.C. 8147, 8191-93		
War Hazards Compensation Act of 1942, as amended, 42 U.S.C. 1701		
War Claims Act of 1948, 50 U.S.C. 2001-3013	$251,000,000	$318,000,000
Longshore and Harbor Workers' Compensation Act, approved March 4, 1927, Section 44(a) and 44(j), as amended in 1972 by P.L. 92-576, as amended September 28, 1984 by P.L. 98-426, 33 U.S.C. 901, 944(a)	4,000,000	4,000,000

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981 . . .	319,269,000	319,269,000	319,269,000	282,047,000
1982 . . .	348,892,000	348,892,000	348,892,000	348,892,000
1983 . . .	339,600,000	339,600,000	339,600,000	339,600,000
1984 . . .	215,100,000	215,100,000	220,100,000	220,100,000
1985 . . .	211,400,000	211,400,000	211,400,000	211,400,000
1986 . . .	259,500,000	259,500,000	259,500,000	236,657,000 [1]
1987 . . .	263,600,000	263,600,000	263,600,000	263,600,000
1988 . . .	174,000,000	257,177,000	174,000,000	174,000,000
1989 . . .	292,000,000	292,000,000	255,000,000	255,000,000
1990 . . .	255,000,000	255,000,000	255,000,000	255,000,000
1991 . . .	322,000,000			

[1] 1986 includes reductions pursuant to P.L. 99-177.

EMPLOYMENT STANDARDS ADMINISTRATION
SPECIAL BENEFITS

JUSTIFICATION

	1990 Appropriation	1990 Estimate [1]	Difference App/Estimate	1991 Estimate [2]	Difference FY 1990/1991
Federal Employees' Compensation Act benefits .	$1,367,000,000	$1,718,025,000	+$351,025,000	$1,872,000,000	+$153,975,000
Longshore and Harbor Workers' Compensation Act benefits .	4,000,000	4,000,000	---	4,000,000	---
Total Obligational Authority . .	$1,371,000,000	$1,722,025,000	+$351,025,000	$1,876,000,000	+$153,975,000

[1] Included in 1990 Estimate above:
Unobligated balance of receipts available, end of fiscal year: $236,000,000.

[2] Included in 1991 Estimate above:
Unobligated balance of receipts available, end of fiscal year: $263,000,000.

GENERAL STATEMENT

The Special Benefits fund, administered by the Employment Standards Administration, is composed of two accounts representing obligations for benefits under the Federal Employees' Compensation Act, as amended, with extensions, and the Longshore and Harbor Workers' Compensation Act, as amended, with extensions. The requested funding provides resources necessary to meet required payments for compensation, medical costs, vocational rehabilitation, and other benefits made to eligible claimants or their survivors as mandated by each of the Acts.

FEDERAL EMPLOYEES' COMPENSATION ACT BENEFITS
Budget Activity Detail

JUSTIFICATION

1990 Appropriation	1990 Estimate [1]	Difference App/Estimate	1991 Estimate [2]	Difference FY 1990/1991
$1,367,000,000	$1,718,025,000	+$351,025,000	$1,872,000,000	+$153,975,000

[1] Included in 1990 Estimate above:
Unobligated balance of receipts
available, end of fiscal year: $236,000,000.

[2] Included in 1991 Estimate above:
Unobligated balance of receipts
available, end of fiscal year: $263,000,000.

Introduction

The Federal Employees' Compensation Act (FECA) provides payment of benefits to Federal civilian employees of the United States who are disabled as a result of injury or illness sustained in the performance of duty, and to the dependents of disabled employees in case of death resulting from such injury or illness. Under extensions of the Act, benefits are also paid to certain groups such as non-Federal law enforcement officers, Job Corps enrollees, and certain Federally-supported volunteers. The principal costs of the program are compensation benefits for permanent disability and death. Factors influencing the cost of compensation benefits and medical expenses include the number of covered employees; the wage levels on which compensation is based; the severity and frequency of injuries; the cost of medical care; cost-of-living changes based on changes in the Consumer Price Index; and the number of employees choosing this compensation instead of using sick or annual leave. To keep current with the continuing changes occurring in the FECA cost components, the Department has been using an econometric model to forecast benefit expenditures. Resources needed to meet required payments of benefits from the Special Benefits fund are composed of direct appropriations and reimbursements from other Federal and non-Federal agencies for the cost of compensation and medical care incurred by the Department of Labor on behalf of these employees. Beneficiaries receive payments on a four-week cycle based on a program year beginning July 1st, so there are thirteen payments made during a fiscal year under normal circumstances.

1991 Budget Request

In the administration of the Federal Employees' Compensation Act, the program's priorities are to ensure that only eligible claimants receive benefits; that claims are processed in a timely manner according to established criteria; and that Federal agencies are made aware of and trained in their responsibilities for processing claims resulting from injuries incurred by the employees, for promoting rehabilitation and re-employment of injured employees, and for managing the compensation costs associated with these injuries. The Employment Standards Administration accomplishes the latter by providing agencies with technical assistance. Compensation costs are expected to total $1,609,000,000, amounting to a $126,975,000 increase from FY 1990.

The total cost of benefits paid includes reimbursements from other agencies. The level of reimbursements from the employing agencies will decrease from $1,528,000,000 in FY 1990 to $1,343,000,000 in FY 1991 as a result of a double payment by the Postal Service in FY 1990 for chargeback year 1989 and 1990 FECA bills as required by P.L. 101-239. The total budget authority requested for this account anticipates $25,000,000 in draw down authority in late FY 1990 to cover the cumulative effect of increases in payments due to rising medical costs, increases in the number of injury cases being reported, and increases in the number of cases on the compensation rolls over the past several years, but that were not anticipated in the FY 1990 budget.

FECA benefits will be paid from this account to employees of the Panama Canal Commission (PCC) in FY 1991. In FY 1989, a Panama Canal Commission Compensation Fund was established to provide for the accumulation of funds to defray the Commission's workers' compensation obligations pursuant to the Federal Employees' Compensation Act. In FY 1990, $1,903,790 in FEC benefits will be paid from this account.

Federal Employees' Compensation Act

Workload Statistics

Workload	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Cases Received	173,282	171,000	171,000
Wage Loss Claims	20,396	20,000	20,000
Periodic Roll Cases	54,299	54,600	53,800
Compensation & Medical Payments	1,962,062	1,700,000	1,750,000

1990

Benefit costs, which include disability, medical, death, and other related benefits, are expected to increase but at a lower rate than was experienced from the mid-1970s to the early 1980s. A large share of costs is generated by existing cases on the periodic, long-term disability roll so that any moderation in the incoming workload will not significantly impact benefit costs immediately. The program expects to obligate $1,482,025,000 in benefit payments during FY 1990. The Department of Transportation is unable to reimburse the Department of Labor in FY 1990 for the costs of FECA benefits for former Federal employees of the Alaska Railroad since the funds were not included in their FY 1990 appropriation.

In the House-Senate Budget Reconciliation Bill for FY 1990, the Postal Service was directed to reimburse the Department of Labor for FECA costs not later than 30 days after receipt of their FECA bill. As a result, the Postal Service will make a double payment in FY 1990 for FECA costs. The unobligated balance of the Postal Service deposit, to be received by September 17, 1990, will be carried forward into FY 1991.

1989

In FY 1989, funds in the amount of $1,356,606,000 were paid to claimants or their survivors eligible for benefits, which is a ten percent increase above the previous year outlays of $1,234,892,000.

In FY 1989 the Department of Labor assumed responsibility for administering the FECA program for employees of the Panama Canal Commission (PCC). A fund has been established to provide for the accumulation of funds to meet the PCC's obligations to pay FECA expenses for its employees. The PCC will make regular deposits into the fund to cover the continuing FECA costs for its employees after the PCC is dissolved on December 31, 1999.

LONGSHORE AND HARBOR WORKERS' COMPENSATION ACT BENEFITS
Budget Activity Detail

JUSTIFICATION

1990 Appropriation	1990 Estimate	Difference App/Estimate	1991 Estimate	Difference FY 1990/1991
$4,000,000	$4,000,000	---	$4,000,000	---

Introduction

Section 10(h) of the amended Longshore and Harbor Workers' Compensation Act (LHWCA) authorized annual adjustments in compensation to beneficiaries in cases of permanent total disability or death occurring on or prior to October 27, 1972, with the Federal Government paying half the costs of the annual increase for compensating those cases. Direct appropriation provides the necessary resources to meet the required annual increase in benefits for the Federal share of the costs for compensation and related benefits for the pre-1972 cases. The remaining 50 percent of the compensation is paid by private insurance companies and/or employers.

1991 Budget Request

Priority for this activity will be to continue providing prompt and accurate payment of compensation and related benefits to claimants, pursuant to Section 10(h)(2) of the amended Act. In FY 1991, the Federal share of required payments will be $4,000,000 which will include the increase necessary for the annual October weekly wage adjustment.

1990

Obligations for Longshore and Harbor Workers' Compensation Act benefits are expected to be at a level of $4,000,000 in FY 1990. Reflected in this amount are costs related to the annual weekly wage adjustment under Section 10 of the amended Act, which occurred in October 1989, and is being paid to approximately 1,250 pre-1972 amendment cases. The 1984 Amendments to the LHWCA provide for a five percent cap on annual adjustments to benefits.

1989

In FY 1989, $4,162,000 in compensation benefits were paid to eligible claimants under Section 10(h) of the LHWCA, which is a four percent increase over the previous year total of $4,000,000.

EMPLOYMENT STANDARDS ADMINISTRATION
BLACK LUNG DISABILITY TRUST FUND

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EMPLOYMENT STANDARDS ADMINISTRATION

BLACK LUNG DISABILITY TRUST FUND

For payments from the Black Lung Disability Trust Fund [$640,985,000] *$914,837,000* of which [$590,486,000] *$866,019,000* shall be available until September 30, [1991] *1992* for payment of all benefits as authorized by section 9501(d)(1),(2), (4),and (7) of the Internal Revenue Code of 1954, as amended, *and interest on advances as authorized by section 9501(c)(2) of that Act*, and of which [$28,640,000] $29*,051,000* shall be available for transfer to Employment Standards Administration, Salaries and Expenses, and [$21,350,000] $19*,396,000* for transfer to Departmental Management, Salaries and Expenses, and [$509,000] $371*,000* for transfer to Departmental Management, Office of Inspector General, for expenses of operation and administration of the Black Lung Benefits program as authorized by section 9501(d)(5)(A) of that Act: *Provided*, That in addition, such amounts as may be necessary may be charged to the subsequent year appropriation for the payment of compensation, *interest*, or other benefits for any period subsequent to June 15 of the current year: *Provided further*, That in addition, such amounts shall be paid from this fund into miscellaneous receipts as the Secretary of the Treasury determines to be the administrative expenses of the Department of the Treasury for administering the fund during the current fiscal year, as authorized by section 9501(d)(5)(B) of that Act. *(30 U.S.C. 901; Department of Labor Appropriations Act, 1990.)*

ANALYSIS OF APPROPRIATION LANGUAGE

". . . and interest on advances as authorized by section 9501(c)(2) of that Act, . . ."	This language provides for the resumption of interest payments on advances due to the end of the five-year moratorium on such payments (as of September 30, 1990).
"... Provided, That in addition, such amounts as may be necessary may be charged to the subsequent year appropriation for the payment of compensation, *interest* or other benefits for any period subsequent to June 15 of the current year."	This language provides authority to advance funds from the next fiscal year appropriation anytime between June 15 and September 30 of the current year. This authority enables the Employment Standards Administration to meet any shortage of budget authority that may occur *in this Trust Fund during this period without having to request additional* resources through a supplemental appropriation.

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable	1990	1991
Appropriation	$690,069,000	$640,985,000	$914,837,000
Appropriation indefinite [1]	598,000	756,000	756,000
Transfer to Departmental Management, Salaries and Expenses, pursuant to P. L. 101-45 . .	-1,445,000	---	---
Reduction pursuant to P. L. 99-177	---	-14,000	---
A. Revised appropriation .	689,222,000	641,727,000	915,593,000
B. Total Available Budget Authority	689,222,000	641,727,000	915,593,000
Unobligated balance of Budget Authority available, start of year	13,170,000	75,325,000	54,407,000
Unobligated balance of Budget Authority available, end of year	-75,325,000	-54,407,000	---
C. Total estimated Obligations . .	$627,067,000	$662,645,000	$970,000,000

[1] Indefinite appropriation for Department of Treasury administrative expenses.

SUMMARY OF CHANGES

Budget Authority:	1990	1991	Net Change
Total	$641,727,000	$915,593,000	+$273,866,000

Explanation of Change:	Estimated Obligations
Increase:	
A. Built-in:	
To provide for interest on advances . .	+$328,000,000
Decreases:	
A. Built-in:	
To provide for a decrease in the cost of benefit payments	-52,467,000
To provide for a decrease in administrative expenses	-1,667,000
Total Decrease	-54,134,000
Total Change	+$273,866,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable	1990 Appropriation	1990 Estimate [1]	1991 Estimate [2]	Change
1. Disabled coal miners' benefits [3] . .	$633,435,000	$590,486,000	$590,486,000	$538,019,000	-$52,467,000
2. Administrative expenses . . .	55,787,000	51,255,000	51,241,000	49,574,000	-1,667,000
3. Interest on advances . . .	---	---	---	328,000,000	+328,000,000
Total Budget Authority . .	$689,222,000	$641,741,000	$641,727,000	$915,593,000	+$273,866,000

[1] Included in 1990 estimate above:
Reduction pursuant to P.L. 99-177 . . . . -$14,000

[2] Excluded from 1991 estimate above:
Appropriation available from prior year . . . . +$54,407,000

[3] Benefit estimates exclude the net changes in unobligated balances of budget authority available at the beginning of and at the end of each fiscal year.

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Other services	$51,255,000	$51,241,000	$49,574,000	-$1,667,000
Insurance claims and indemnities	590,486,000	590,486,000	538,019,000	-52,467,000
Interest and dividends	---	---	328,000,000	+328,000,000
Total, budget authority by object	$641,741,000	$641,727,000	$915,593,000	+$273,866,000

SIGNIFICANT ITEMS IN FY 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Items	Action Taken or To Be Taken

1990 House Report (No. 101-172)

No specific action recommended.

1990 Senate Report (No. 101-127)

No specific action recommended.

1990 Conference Report (No. 101-274)

No specific action recommended.

AMOUNTS IN AUTHORIZING LEGISLATION

	Budget Request	
Legislation	1990	1991
Authorizing legislation containing specific authority		
Black Lung Benefits Revenue Act of 1977, P.L. 95-227 as amended in 1981 by P.L. 97-119, 30 U.S.C. 901 *et. seq*.		
Consolidated Omnibus Budget Reconciliation Act of 1985, approved April 7, 1986 P.L. 99-272, 26 U.S.C. 4121, 9501		
Omnibus Budget Reconciliation Act of 1987, signed December 22, 1987, P.L. 100-203, Code No. 101 Stat. 1330		
Total	$641,741,000	$915,593,000

APPROPRIATION HISTORY [1]

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981 . . .	797,261,000	740,636,000	740,636,000	737,664,000
1982 . . .	769,244,000	769,244,000	769,244,000	769,244,000
1983 . . .	859,544,000	859,544,000	859,544,000	859,544,000
1984 . . .	826,244,000	826,244,000	853,994,000	854,322,000
1985 . . .	949,244,000	949,244,000	949,244,000	949,420,000
1986 . . .	983,244,000	988,471,000	988,422,000	981,804,000
1987 . . .	231,538,000	234,538,000	234,538,000	235,740,000
1988 . . .	647,444,000	646,842,000	649,169,000	649,169,000
1989 . . .	688,214,000	688,214,000	691,394,000	688,624,000 [2]
1990 . . .	640,326,000	640,326,000	640,985,000	640,985,000
Reduction pursuant to P.L. 99-177				-3,000
1991 . . .	914,837,000			

[1] Appropriation history data do not include indefinite appropriation for the Department of the Treasury.

[2] Reflects $688,000 across-the-board reduction pursuant to P.L. 100-436 and transfer of $1,445,000 to Departmental Management, Salaries and Expenses pursuant to P.L. 101-45.

BL TRUST 10

EMPLOYMENT STANDARDS ADMINISTRATION
Black Lung Disability Trust Fund

JUSTIFICATION

	1990 Appropriation	1990 Estimate [1]	Difference App/Estimate	1991 Estimate [2]	Difference 1990/1991
Disabled coal miners' benefits	$590,486,000	$590,486,000	---	$538,019,000	-$52,467,000
Administrative expenses	51,255,000	51,241,000	-$14,000	49,574,000	-1,667,000
Interest on advances	---	---	---	328,000,000	+328,000,000
Total Budget Authority	$641,741,000	$641,727,000	-$14,000	$915,593,000	+$273,866,000

[1] Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177 . . . -$14,000

[2] Excluded from 1991 Estimate above:
Appropriation available from prior year . . . . +$54,407,000

GENERAL STATEMENT

The Black Lung Disability Trust Fund was established under the Black Lung Benefits Revenue Act of 1977 and is jointly administered by the Secretaries of Labor, Treasury, and Health and Human Services. The Fund provides for payment of benefits and administrative expenses related to the operation of the program. Resources for the Fund are derived from an excise tax on the tonnage of coal, reimbursements and interest, as well as fines and penalties assessed responsible mine operators, and when needed, funds transferred from the Advances to the Unemployment Trust Fund and Other Funds appropriation account.

BLACK LUNG DISABILITY TRUST FUND

1990 Appropriation	1990 Estimate 1/	Difference App/Estimate	1991 Estimate 2/	Difference 1990/1991
$641,741,000	$641,727,000	-$14,000	$915,593,000	+$273,866,000

1/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177 -$14,000

2/ Excluded from 1991 Estimate above:
Appropriation available
from prior year . . . . +$54,407,000

Introduction

The Black Lung Disability Trust Fund was established by the Black Lung Benefits Revenue Act of 1977, as amended December 29, 1981, companion legislation to the Black Lung Benefits Reform Act of 1977, to implement the shift of fiscal responsibility for Black Lung benefit payments from the Federal Government to the coal industry. The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), enacted April 7, 1986, included an increase in the coal tax and a five-year forgiveness of interest payments to the Treasury on General Fund advances to the Trust Fund. Under COBRA, the coal excise tax increased, effective April 1, 1986, through December 31, 1995, from $1.00 to $1.10 per ton on underground-mined coal and from 50 to 55 cents per ton on surface-mined coal, in either case not to exceed 4.4 percent of the sale price. The legislation also provided for a five-year moratorium through 1990 on the current interest payments on the cumulative indebtedness of the Trust Fund, retroactive to October 1, 1985. The Omnibus Budget Reconciliation Act of 1987 continued the current tax structure until 2014.

The Trust Fund pays all Black Lung benefits, including income maintenance and medical benefits, when no coal mine operator can be held liable for payments. Income maintenance payments are based on thirty-seven and a half percent of the GS-2, Step 1 salary level. The Fund also pays all costs incurred by the Departments of Labor, Treasury, and Health and Human Services in administering Part C of the Black Lung benefits program and operating the Trust Fund.

1991 Budget Request

A total of $970,000,000 is needed to meet FY 1991 obligations which include $592,426,000 for compensation and medical treatment payments to 113,000 beneficiaries, $49,574,000 for administrative costs, and $328,000,000 for interest payments on advances. In FY 1991, interest payments on advances will resume following the five-year moratorium through FY 1990 as provided for in the COBRA legislation enacted in 1986.

Department of Treasury tax receipt estimates, which are based on Department of Energy coal production estimates, are expected to total approximately $607,000,000 in FY 1991. An additional $361,000,000 in General Funds advances from the Advances to the Unemployment Trust Fund and Other Funds appropriations account will be required to provide an adequate cashflow throughout the year. In addition to these receipts, reimbursements from responsible mine operators are expected to reach $11,600,000.

1990

A total of $662,645,000 will be needed to meet Trust Fund obligations in FY 1990. This includes $611,404,000 for benefit and medical treatment payments to 119,000 beneficiaries and $51,241,000 for administrative costs. Coal tonnage tax receipts are expected to be $602,000,000. Reimbursements from responsible coal mine operators are projected to amount to $12,800,000.

Included in the FY 1990 amount is $75,325,000 in budget authority carried over from FY 1989.

1989

Total Trust Fund obligations in FY 1989 amounted to $627,067,000, which included $571,280,000 in benefit payments to 125,728 beneficiaries and $55,787,000 for administrative costs. Tax receipts totaled $563,445,000, miscellaneous receipts were $8,702,000, and $55,853,000 in Federal advances were required. Reimbursements from responsible coal mine operators amounted to $22,668,000.

TUESDAY, MARCH 6, 1990.

SECRETARY OF LABOR

WITNESSES

ELIZABETH H. DOLE, SECRETARY OF LABOR

ROBERTS T. JONES, ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING

THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. At this time we have before our subcommittee the Secretary of the Department of Labor, Elizabeth H. Dole.

Madam Secretary, it is a pleasure to have you appear before our committee. You have on several occasions.

Secretary DOLE. Thank you, sir.

Mr. NATCHER. In the beginning I want you to know on our subcommittee and on the full Committee on Appropriations we believe that you are an excellent Secretary.

Secretary DOLE. Thank you, very much. I appreciate that.

Mr. NATCHER. Before you give us your statement, tell us who you have with you at the table please.

Secretary DOLE. I have Bob Jones, Assistant Secretary for Employment and Training, Tom Komarek, Assistant Secretary for Administration and Management, and Jim McMullen, head of our Office of Budget.

I am delighted to have all of them with me this morning.

Mr. NATCHER. We will be pleased to hear from you.

Secretary DOLE. Thank you, sir.

I am delighted to have this opportunity to appear before you to discuss the Department of Labor's fiscal year 1991 budget request.

When I appeared before this committee last year, I provided you with an overview of the major goals and priorities President Bush and I had set for the Department of Labor. Our mission was to make a difference—a positive difference—in the lives of American workers. Today, I would like to offer a status report on our goals and priorities, and the course we chart for the future in this year's budget request.

What seized my attention when I came to the Department of Labor was the fact that we are undergoing some revolutionary changes in American business and in the American workforce. Changes that pose some complex challenges—challenges ill-served by short-term, quick-fixes that may grab some headlines but offer little in the way of meaningful results.

I know that the members of this committee are aware that America is squarely in the midst of a workforce crisis. While our jobs are requiring more skills and more education, many of our youth drop out of high school every year—approximately 500,000 a year. And businessmen and women tell me constantly that many young people who receive their high school diploma, simply don't have the skills they need to succeed in the marketplace. Additionally, 20 to 40 million of our current workers face substantial literacy problems.

BUILDING A BETTER WORKFORCE

Yes, Mr. Chairman, the picture I have painted is an alarming one. But I paint it out of hope, rather than despair: Hope that we can build a better workforce and a better America through the contributions of all segments of our society—education, labor, business, and government.

Accordingly, we have devoted much time to the development of a "Call to Quality"—a series of initiatives that will lead to improvements in our workforce, and will help ensure America's competitiveness in an ever more complex global market.

I want to pause a moment and thank Bob Jones and his staff for the tremendous job that they have done on this "Call to Quality".

To help define the skills needed to survive in the workplace, I will appoint a blue-ribbon commission of business, labor, and education leaders, and will charge them with the task of developing national competency guidelines that reflect work readiness.

Local schools and educators, as well as training programs, can use these guidelines to help develop relevant curricula for promotion and graduation.

I am vitally concerned with what happens to students after they leave school—especially the 40 percent of our high school graduates who go directly to work. The United States is one of the few western nations without a formalized school-to-work transition.

I will initiate a series of research and demonstration projects aimed at assisting our school-to-work populations. Through business and education partnerships, these projects will establish learning programs which combine academic skills with workplace settings. This spring, I will convene a national conference of employers, union leaders, educators, and training professionals to review the school-to-work issue, to share effective programs, and to recommend reforms.

Since over two-thirds of America's workforce at the end of the century are working today, we will move beyond programs for new entrants and devote attention to our current workers. There are many innovative programs which make a difference in upgrading the skills of our workforce. For example, the construction industry offers outstanding training based on the principle of apprenticeship. Workers receive training and instruction which are widely accepted, and which serve as "portable credentials," thereby expediting the process of matching employees with employers.

I believe the principle can be adopted by other occupations, including many in the rapidly expanding service industry. We will encourage this by developing a voluntary system for accrediting workplace training programs, which will be accepted throughout an industry. A national advisory board on workplace training will assist in this effort, and will work to encourage business and labor participation.

EMPLOYMENT SERVICE EFFICIENCY

I am also concerned that the Federal and State Employment Service—which receives almost $800,000,000 annually—is designed for the dynamics of the 1960's—not the 1990's. I will talk extensively with Congress, governors, employers, labor leaders and others, with an eye to developing demonstrations testing ways to improve the efficiency of the Employment Service by the end of the year.

JTPA LEGISLATION

The initiative that I know is of interest to you, Mr. Chairman and the members of this committee, is legislation President Bush and I introduced to reform the Job Training Partnership Act. We are all aware of the great success of JTPA, but I believe we can make it better.

We would refocus JTPA so that it targets more intensive employment and training services to the most economically disadvantaged and least skilled Americans—particularly our at-risk youth.

In another key change, we aim to provide training not just for a single job, but basic skills training, literacy, remedial education, counseling—all necessary for a lifetime of productive work. Also included in the amendments is authorization for a new national program—Youth Opportunities Unlimited, YOU, to target comprehensive services to youth living in high poverty areas.

The fiscal year 1991 budget anticipates passage of these JTPA amendments, and requests $1.7 billion for job training grants for youth. This represents an increase of $252.6 million over the fiscal year 1990 amount. This funding level will provide service to an estimated 683,000 of our most at-risk youth.

In conjunction with this program, $50 million is requested for the YOU program to target comprehensive services to an estimated 33,700 youth living in at least 24 high poverty areas.

Now, Mr. Chairman, I would like to briefly touch upon two budget requests of great importance to me, which are unrelated to workforce training.

WORKFORCE HEALTH AND SAFETY INCREASES

Throughout my first year as Secretary, I have sent a clear and unequivocal message to those responsible for the health and safety of workers: They must be aware of our standards, and they must comply with them fully.

As you know, this is not just rhetoric. One of my first actions last year was to provide for a 10 percent increase in the enforcement resources of the Occupational Safety and Health Administration—the first such increase since 1981.

Safety remains one of my top priorities, Mr. Chairman, and our request for OSHA includes an increase of $20.9 million. A portion of these funds will be used to fund an additional 34 inspectors, which will allow us to focus systematically on significant problems in high hazard industries, such as ergonomic "repetitive motion" injuries in the meat packing industry.

ERISA PROGRAM INCREASES

Another agenda item of critical importance is a thorough review of our enforcement efforts to protect America's pension system. I have a responsibility to ensure that America's workers can be secure in the knowledge that their pensions are not abused. Over the past decade, the number of pension plans and their assets have skyrocketed, while the number of Federal employees monitoring them has increased very little.

Therefore, I am seeking an additional $15 million and 133 new full time employees for the enforcement of pension fiduciary standards, reporting, and disclosure. Of the additional personnel, 100 will be used to pursue approximately 1000 additional enforcement cases by the Pension and Welfare Benefits Administration, and 33 attorneys and support staff will be added to the Solicitor's Office to assist in civil and criminal prosecutions. We believe these additions will result in $46 million in restored assets to pension plans.

Mr. Chairman, the total fiscal year 1991 budget now before you contains requests for new budget authority in the amount of $7.3 billion, and an additional $3 billion in trust fund limitations. We at the Department of Labor feel that the priorities reflected in this budget—training workers on the job, keeping them safe on the job, and ensuring their financial security after the job—are priorities that will make a positive difference in the American workforce.

Before I respond to questions, Mr. Chairman, I want to thank you, and other members of the committee for your assistance and cooperation in the past year; 1989 was a truly memorable year for me at the Department of Labor.

I will always cherish the memory of this past New Year's Eve—the most joyous I have ever experienced—when negotiators representing the Pittston Coal Company and the United Mine Workers shook hands and ended a very difficult nine-month strike.

I look back to last March, and the 10-day, 10-city tour to visit my regional offices and job training programs across America. I was so inspired by many of the young people I met whose lives had absolutely been turned around, often from very negative behavior to confidence and hope for a fulfilling future. In fact, I invited several of these young people to Washington to testify with me before the House and Senate—and what powerful testimony these 17 and 18 year-olds gave to the great potential of our training program.

I was also greatly inspired by the strong, courageous men and women of Poland, during my visits to Warsaw and Gdansk last August and November.

In conjunction with the AFL–CIO, which has contributed so much to Solidarity and the movement to democracy, we are now implementing our part of the Administration's plan of assistance for Poland. I very much appreciate the congressional legislation which authorized me to solicit private funds for the aid of Poland.

I look forward to working with members of this committee as we build upon the accomplishments of the past year. This concludes my prepared statement, Mr. Chairman. I will be happy to take your questions.

[The information follows:]

STATEMENT OF ELIZABETH DOLE
SECRETARY OF LABOR
BEFORE THE
SUBCOMMITTEE ON LABOR-HHS-EDUCATION
OF THE
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

MARCH 6, 1990

Thank you Mr. Chairman, and members of the Subcommittee:

I am delighted to have this opportunity to appear before you to discuss the Department of Labor's Fiscal Year 1991 budget request.

When I appeared before this Committee last year, I provided you with an overview of the major goals and priorities President Bush and I had set for the Department of Labor. Our mission was to make a difference--a positive difference--in the lives of American workers. Today, I would like to offer a status report on our goals and priorities, and the course we chart for the future in this year's budget request.

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*I am also concerned that the Federal and State Employment Service--which receives almost $800 million annually--is designed for the dynamics of the 1960's--not the 1990's. I will talk extensively with Congress, governors, employers, labor leaders and others, with an eye to developing demonstrations testing ways to improve the efficiency of the Employment Service by the end of the year.

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Partnership Act. We are all aware of the great success of JTPA, but I believe we can make it better.

We would refocus JTPA so that it targets more intensive employment and training services to the most economically disadvantaged and least skilled Americans--particularly our at-risk youth.

In another key change, we aim to provide training not just for a single job, but basic skills training, literacy, remedial education, counseling--all necessary for a lifetime of productive work. Also included in the amendments is authorization for a new national program--Youth Opportunities Unlimited (YOU)--to target comprehensive services to youth living in high poverty areas.

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Another agenda item of critical importance is a thorough review of our enforcement efforts to protect America's pension system. I have a responsibility to ensure that America's workers can be secure in the knowledge that their pensions are not abused. Over the past decade, the number of pension plans and their assets have skyrocketed, while tne number of Federal employees monitoring them has increased very little.

Therefore, I am seeking an additional $15 million and 133 new full time employees for the enforcement of pension fiduciary standards, reporting, and disclosure. One hundred of the additional personnel will be used to pursue approximately 1,000 additional enforcement cases by the Pension and Welfare Benefits Administration, and 33 attorneys and support staff will be added to the Solicitor's Office to assist in civil and criminal prosecutions. We believe these additions will result in $46 million in restored assets to pension plans.

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BIOGRAPHY OF ELIZABETH DOLE
UNITED STATES SECRETARY OF LABOR

Elizabeth Dole was sworn in by President Bush as this nation's 20th Secretary of Labor on January 30, 1989.

As Secretary, Mrs. Dole guides a federal agency of nearly 19,000 employees, with a budget of more than $31 billion. She serves as the President's chief advisor on labor and workforce issues, as well as a key economic policy advisor.

Since taking office, Secretary Dole has advanced a very active agenda. Among many accomplishments, she has:

*Successfully negotiated a compromise which resulted in the first increase in the minimum wage since 1981, coupled with a first-ever training wage to ensure that young workers continue to have opportunities for employment.

*Issued an ambitious "Call to Quality," which encompasses a number of proposals aimed at improving the state of America's workforce.

*Proposed legislation aimed at refocusing the Job Training Partnership Act, so that it assists the least skilled and most economically disadvantaged Americans, and provides not just for a job, but also basic skills training, literacy, remedial education, and counseling--a total support system.

*Continued her career-long dedication to public safety by making workplace safety a top priority. Secretary Dole proposed and received a 10% increase in the inspection force of the Occupational Safety and Health Administration, the first increase since 1981. In doing so, Secretary Dole sent a clear and unequivocal message that those responsible for the health and safety of workers must be aware of safety standards and comply with them fully. The National Safety Council recently honored Secretary Dole's commitment to safety by presenting her with their Distinguished Service Award.

*Fostered labor-management relations by meeting with union and business leaders to encourage that differences be resolved through cooperation and not confrontation. Her decision to meet with the parties involved in the Pittston Coal Mine strike, and to appoint a Supermediator, is evidence of her commitment to this principle.

*Travelled twice to Poland, where she has designed and is implementing a package assisting the new Polish government in its transition from a state-controlled economy to a free market economy.

Prior to becoming Secretary of Labor, Mrs. Dole was this nation's longest-serving Secretary of Transportation from February 1983 until October 1987. During her service as Secretary of Transportation, the United States enjoyed the safest years in its history in all three major transportation areas--rail, air, and highway.

Secretary Dole's public service experience also includes five years as a Federal Trade Commissioner, and two years as Assistant to President Reagan for Public Liaison.

Secretary Dole graduated with distinction from Duke University, where she was president of the student government, and elected to Phi Beta Kappa. She received her law degree from Harvard Law School, and a masters degree in education and government from Harvard University.

A native of Salisbury, North Carolina, Mrs. Dole was named in 1988 by the Gallup Poll as one of the world's ten most admired women.

November 1989

Mr. **Natcher**. Thank you very much, Madam Secretary. Mr. Chairman, it is a pleasure to have you appear with us this morning. I yield to you.

Mr. **Whitten**. Thank you, very much. I appreciate your kind statements off the record. Mr. Chairman, I appreciate this chance as chairman of the full committee and a member of all the subcommittees, including this one, to talk with you this morning. We spread our time so thinly on this committee. I want to congratulate you for the great job that you do.

Secretary **Dole**. Thank you very much, Mr. Chairman.

Mr. **Whitten**. The chairman and members of this subcommittee are certainly the top people that we have on our Appropriations Committee both in experience and in the success with which they handle their work.

There are some things that we face this year that are very serious. As chairman of this committee I am having calls nearly every day from some department or agency that they are running short on money this year due to inflation.

UNEMPLOYMENT INSURANCE

I am sure it will come up later but can you tell us what the situation is as far as present operations are concerned with the unemployment insurance program and all these other things which are quite important.

In 1980 in Congress we faced a situation like this and it was my suggestion to borrow from the fourth quarter to help the third quarter due to the fact that they were running short. One of the things I am proudest of is the way we in Congress, with the help of the department, have improved job training programs. John Fogarty, way back, needed help with his appropriations bill. Vocational education at that time had to do strictly with education. We worked together to change it where there was an opportunity for jobs and it worked very well.

I just wanted to say we are proud of your record and I hope we can give these things some attention this year without reducing programs. We have the depreciating value of the dollar. Recently in Europe they would not accept travelers' checks because the money would go down in value before they could cash them. The situation financially is very serious. We on the Committee on Appropriations have to deal with it.

Again, I wish to congratulate you on a job well done. We are very proud of you.

Secretary **Dole**. Thank you, very much.

STATE UI ADMINISTRATION FUNDING

Mr. **Natcher**. Madam Secretary, before we go to your fiscal year 1991 budget request, we want to ask you a few questions that are of great concern to the committee and to many Members of Congress. I am referring to the shortfall in 1990 for state unemployment insurance administration funding. Madam Secretary, why hasn't the Administration requested a supplemental appropriation to deal with this situation?

Secretary **Dole**. Mr. Chairman, as you know, last April the joint leadership in the Congress and the Administration agreed that supplementals would not be requested unless needed for dire emergencies.

In the past, we submitted requests for supplementals when changes in economic assumptions required it. This $120 million shortfall comes from two causes. One is the 1.4 percent Gramm-Rudman sequestration which produced a $24 million shortfall and the other is the $96 million shortfall due to the changes in economic assumptions since this budget was prepared.

I believe what we have done is helpful in the sense that as soon as we became aware of this problem last December, we made it known to the states so they would immediately think about how this could be handled. We also thought it was necessary to reallocate, to go back through the process of looking at what the work load is in each state, and update that work load. In some states there may be greater needs and lesser needs in others.

That reallocation has been done. A Federal Register notice makes it possible for all interested parties to comment, giving us their suggestions if they have other thoughts as to how this should be handled. Obviously, we are interested in hearing from all concerned parties. We find that the states are going about this in many different ways.

In some instances it is a matter of not purchasing equipment or not signing a particular contract that can be deferred, or maybe cutting back on travel expenses. It may involve some layoffs of temporary workers or hiring freezes, and in some instances we know that some itinerant or satellite offices have been closed.

But we will be going for full funding in 1991. So we look to that time period. There will not be a continuation of this, but it does mean that all of us have to be concerned that measures be taken to try to cover the shortfall during this period of time.

UI OFFICE CLOSINGS AND LAYOFFS

Mr. **Natcher**. Madam Secretary, are the states telling you the same things that they are telling us, namely that many local offices will close and employees will be laid off without a supplemental appropriation?

Secretary **Dole**. I just did a survey because I thought you and the members of this committee might be interested. We find no office closings in any of the areas represented by the committee members. Mississippi will have 32 itinerant points of service closed. We find these satellite offices often close when the unemployment numbers are low. An office that has been set up when the work load is high, will shut down or may combine their functions and priorities with another office as a way of handling the situation.

But we have no numbers for all areas at this point. We have submitted a design to the Office of Management and Budget for a survey as you mentioned in your letter to me, Mr. Chairman. We are certainly happy to go forward with that survey, but maybe this is helpful at least for the members of the committee that we find no plans to close offices at this point.

Mr. NATCHER. Is this the wise course for us to proceed on, no supplemental, to take no action at this time? Is that the proper course?

Secretary DOLE. Mr. Chairman, I think we have to do everything in our power to cut back where we can and try to deal with it without a supplemental because we did make an agreement with the Congress.

That agreement is on both sides. I think we have to try to honor that agreement whether we are in the Administration or the Congress. This was made with the bipartisan leadership in the Congress. If we can possibly fulfill that pledge, I think we should try to do so.

SUPPLEMENTAL FINANCING

Mr. NATCHER. If we passed a supplemental, would the Administration be opposed to it?

Secretary DOLE. Looking at it at this point in time, yes. Now if indeed on down the road such an event occurred, I personally would want to look at it to see what the circumstances were at that time.

But right now, no supplemental has been requested except, I believe, for Panamanian refugees.

There is a strong feeling that we need to really try to uphold the agreement. I feel that there are ways that costs can be cut, travel can be cut back, or people who are not involved in taking claims, can be shifted over to claims processing for a brief period of time.

There may have to be some layoffs for awhile. It is not an easy situation and we are concerned just as you are. But the states seem to be handling it in many different ways.

According to the GAO, funding does not seem to be the primary reason why a full service office would be shut down. We do not see where they are planning to shut down full service offices, to the extent that we have knowledge of that situation. We don't have a full survey, as I said.

Mr. NATCHER. Madam Secretary, in order to be successful with the supplemental wouldn't it take a waiver of the Budget Act by Congress to put this supplemental through?

Secretary DOLE. Yes, I believe it would.

UNEMPLOYMENT ESTIMATES

Mr. NATCHER. Are the unemployment work load estimates substantially higher than what you estimated a year ago when the 1990 budget was submitted?

Secretary DOLE. Yes, they are.

Mr. NATCHER. Why? What is the reason for it, Madam Secretary?

Secretary DOLE. The unemployment figures were originally estimated to be 5.1 percent. Now I believe it is 5.4 percent for fiscal 1990 because of slower economic growth.

We anticipate that for next year the unemployment rate will be 5.3 percent. Also we have had several natural disasters which increased workload.

STATE EMPLOYMENT SERVICE ALLOCATION REDUCTIONS

Mr. NATCHER. With regard to the 1991 budget request for the employment service, you are again, I believe, proposing to reduce the state allocations this time by $56,000,000, something in the neighborhood of about 7 percent.

Why does the Administration propose a reduction such as this year after year, Madam Secretary?

Secretary DOLE. Mr. Chairman, first of all let me say there are three parts to the Employment Service budget change, including the targeted jobs tax credit decrease of $25 million, the addition of $15 million, which includes funds already made available for automation and the state grants decrease of $56.4 million.

The latter is to meet the Gramm-Rudman-Hollings projections for 1991. This is where we started in planning the 1991 budget. It is expected that some states will have to achieve further cost savings or supplement their programs with non-federal funding.

But I would like to just go beyond that answer and say that I really think it is time to look hard at the employment service and whether or not it is really fulfilling its potential. When we look at this much money, it is almost $800 million a year.

That is a lot of taxpayers' dollars going to a service that is right now placing about 4 percent of civilian non-farm labor force. It seems to me we can do a lot better. The service is really geared to the 1960's when we had labor surpluses. We need to bring it into the 1990's when we have labor shortages.

We have a lot of ideas about what might be done to respond to interested parties at the state level. I think there is a general consensus that the service could be much more effective. I don't think there is a consensus in terms of what to do.

We would like to consult with you on that and with people at the state and local levels and many others and try to come up with some good plans to make this almost $800 million a lot more effective in the future. So I would like to focus us on the bigger picture as well as the reduction for 1991.

Mr. NATCHER. Will the $56,000,000 reduction bring about any substantial reduction in services at the local level?

Secretary DOLE. It could bring about some. This would depend. The states will have to decide what to do, in order to achieve further cost savings. They may have to reduce service to the public in some way or use some non-federal funding.

They must decide how to best address that situation, and there are many ways to do it, I believe.

UI FUNDING

Mr. NATCHER. As far as unemployment insurance administrative funding is concerned, is your 1991 request going to be fully adequate, or is there a chance that we will have another shortfall next fiscal year?

Secretary DOLE. I think we have an increase of $229 million for fiscal year 1991 for unemployment insurance. That should be fine. That should be adequate, Mr. Chairman.

Mr. NATCHER. I yield to you, Mr. Conte.

Mr. CONTE. Thank you, Mr. Chairman.

I too want to join you, Mr. Chairman, in welcoming Secretary Dole to our subcommittee.

Secretary **Dole**. Thank you.

Mr. **Conte**. I have known Secretary Dole through her work with Presidents Nixon, Ford, Reagan, and Bush. In every post she has held, Secretary Dole has distinguished herself.

Secretary Dole, the gossip columns have been all excited about the Dole/Thurmond connection. How are Leader and Chelsea coping with parenthood?

Secretary **Dole**. Well, they have been getting a little criticism and I don't think they like that too much, but they are doing fine.

POSSIBLE RESOLUTION OF THE BASEBALL STRIKE

Mr. **Conte**. You are building a reputation as a good labor negotiator. Perhaps you can help me. The baseball mess has me concerned because spring training is already a week late. Is there anything to do to get this mess resolved in time to save the season?

Secretary **Dole**. I have talked to Mr. Vincent twice about the situation. He is playing an active role. We will continue to hope and pray that before April 2nd, when the serious business is supposed to get underway, they can come to some resolution of their disagreement.

Mr. **Conte**. I hope you are right.

Secretary **Dole**. We are in touch with Fay Vincent regularly.

Mr. **Conte**. That is good news.

CHANGES IN JTPA

Madam Secretary, your overall budget shows an increase of $550 million in 1991. However it all goes to mandatory increases. In fact, for 1991, your spending on discretionary programs will actually decrease by $13 million. Why are your requesting a decrease in your overall budget for the important discretionary programs?

Secretary **Dole**. Considering discretionary accounts funded by Trust Fund transfers, and discretionary programs proposed for later transmittal, there will be a net increase of over $841 million.

Mr. **Conte**. As you know, I am a big fan of JTPA. In your prepared testimony the JTPA amendments were mentioned. What will they do for the program?

Secretary **Dole**. Although the Job Training Partnership Act is one of the most successful programs we have had, we feel there can be changes that can make a real difference. One of the changes will be to target the Job Training Partnership Act to those who are least skilled and less advantaged.

We are training some people who, while they are economically disadvantaged, can find their own way into the market. Others cannot. There are changes required to make certain it is targeted specifically to those individuals. I think a very important change is training beyond a job. This includes minimal literacy and basic skills training, focusing on remedial education, counseling, and a total support system, as well as training for a specific job.

We want to literally see these young lives turned around so that they are not just prepared to take a job but they have skills for a lifetime of productive work. There are all sorts of incentives and programs that are aiming at that goal. You know we have not just the skills gap but we have a motivation gap with young people. They desperately need counseling.

I feel that if we really want to impact on the social problems that we face today, if we want to see these young lives turned around, and if we are to provide workers for employers we are going to need in order to remain competitive in this complex global market, what we are doing with the Job Training Partnership Act is crucial. Then we have to mobilize the business community to do a heck of a lot more than they are doing now to address this problem.

PEOPLE INVOLVED IN JTPA

The 10-day trip I took visiting regional offices and looking at training programs, was really an inspirational trip for me. I met many young people who not many months earlier had been involved in negative behavior, gang leaders, drugs, alcoholism. They did not know that I was going to call upon them.

I would pull them out of groups and ask them how they found out about these alternatives. They were so articulate and you could see the motivation and the determination. You in Congress should hear these young people. I want them to come in here and tell you their story. We did this before the Senate Committee, Senator Simons' committee.

As we testified on the amendments to the JTPA, they told their stories. It was the most powerful, compelling testimony. Everyone was emotionally drained when that session was over. That continues to happen to me. I was in Denver at an alternative high school and had the same experience. I said we have to get these young people on television, take them with us to local communities, let them sell the program because it is obviously working. We want to be sure that those who need it the most, get that help and they have a complete total service. You know I am enthusiastic about this, so let me go on just another minute or two.

We would assess each individual personally, in other words, this will be a service strategy for every person in the program so we don't train for something they don't need and fail to train for something they do need. We will follow them into the marketplace six months or a year later.

We don't want to have incentives to push people into job slots just to get the numbers up. We want them to be fully prepared for a life time of productive work and follow them after they are in the job. This is much more in depth. The summer job program, for example, would not be available anymore by itself, only if you have a year-round program, then you could also have a summer job program.

We want to be sure every person is getting that year round, fully in depth supportive system.

Mr. **Conte.** For some reason I get the feeling that you really have a handle on this.

Secretary **Dole.** It took a little battle but I got $253 million here to increase the funding. I think that shows my commitment to this, but I really do want to get the business community much more involved as well. They have a vested interest. They are going to need these workers.

BUDGET CHANGES

Mr. **Conte**. I cannot agree with you more. I notice your budget has a $317 million increase if the JTPA amendments are enacted. It is my understanding that you won't submit the budget increase until the amendments are enacted. Why is that? Aren't the existing programs worthy of at least an inflationary increase?

Secretary **Dole**. Right.

Mr. **Conte**. Can you tell us why?

Mr. **Komarek**. One of the programs, $50 million out of $317 million, is the Youth Opportunities Unlimited program which is not authorized in the current legislation. We also feel that the entire amount associated with youth should be spent in accordance with the revised guidelines that would come with the new program.

Secretary **Dole**. I am optimistic that that legislation will pass very soon. We have been in touch with all the relevant parties. I am hoping after Easter that it is really going to move.

Mr. **Conte**. That leads me to my second question. There have been a lot of folks out there who are favoring amending JTPA, some disagree over what should be done. They are debating whether there should be separate programs for adults and youth. Others are discussing year round versus summer programs. What do you think about these and other issues that are holding up the amendments?

Secretary **Dole**. Oh, yes, day by day we are working through it. I believe we have consensus on just about everything. There are only a couple of areas where there are still issues that have to be worked through but we are almost there.

Mr. **Conte**. What happens to your budget if the amendments don't pass? Where are we?

Secretary **Dole**. We would reconsider, but I think there is a need for increased funding. We would come back with a revised proposal if the amendments are not enacted.

TRAINING WAGE

Mr. **Conte**. The 100th Congress passed legislation providing a 90 day training wage for workers age 16 to 19. How will the training wage apply to the various training programs under JTPA?

Secretary **Dole**. I think many of the programs probably would be at the training wage level. I don't think that is going to mean a lot of additional funding required there.

I think many of the jobs would be $3.35, the training wage level.

Mr. **Conte**. That is good because otherwise we would have a supplemental problem again.

TITLE III CUT

You want to cut $63,000,000 from the Dislocated Workers program due to, and I quote, "a pressing need for additional resources in other programs." What is more pressing tham someone losing their job?

Tell me so I can explain it to folks back in Massachusetts.

Secretary **Dole**. This is the EDWAA program and the $63 million was added last year. We came to the Congress with the $400 million level. Really it is the difficulties we have with Gramm-Rudman, trying to meet the deficit target levels.

It is an overall effort to try to fulfill our responsibilities in the best way we can prioritize. I wish it could be higher but that is the level that we feel we can manage at this time with the Gramm-Rudman requirements.

Also I would mention in terms of dislocated workers, that BLS every two years does a survey, and we have found from January 1984 to January 1988, the number of dislocated workers who have been unable to find work has dropped by 50 percent, so there has been a decrease over the last years. Also, a large portion of the $79 million trade adjustment assistance training has not been utilized, about $63 million.

Mr. **Conte**. Thank you, Madam Secretary.

Mr. **Natcher**. Mr. Smith, I yield to you.

TRAINING FOR JOBS IN DEMAND

Mr. **Smith**. Madam Secretary, I am glad to hear you say you have a consensus on how to amend JTPA. Now my idea of the principal problem has been that too often we have trained somebody for a job they could not take or that did not exist and maybe they could not take it because they did not live in the area and could not move to the area where the job exists. What are you going to do about that?

Secretary **Dole**. I think with these individual assessments of each young person, it will be so specialized there will be a service strategy for that particular young person and a total support system. So you have counseling, remedial education, and job training and it will be possible to get an understanding of that person's needs and comply with it.

Mr. **Smith**. I am not referring to that end of the problem. In 1965 Sargent Shriver called me and said we have $103,000 left over in Iowa in a poverty program. How can we use it? I called up insurance companies in Des Moines and they lined up 50 jobs. They said we will give people training at the community college with certain skills a job if they will graduate. Then I called the welfare department and they had 53 people on ADC that said they would train for those particular jobs. It worked. There was a job waiting for them. Only three of them didn't take the job. That worked.

Along comes the WIN program. That cost $2000 a piece in 1964. In 1965 the WIN program cost $12,000 a piece and half the people never got the job because it was too far away or there was no job. Every job training program we have had since that time has failed to match the people with an existing job that they can get.

Whenever somebody takes this training under JTPA, they go to the community college, take the training and at the end of the line there is no job there. Others in the class find out about that. You see what it does to them?

Secretary **Dole**. That is why we have used performance standards in JTPA.

Mr. **Smith**. It is not the performance standards of the employee. It is knowing there is going to be a job when they get through.

Secretary **Dole**. That is right. Let me ask Mr. Jones to comment.

Mr. **Jones**. I think that is a problem we have been concerned about for 10 years. In this program we changed it precisely for that reason, to be performance managed based on the job.

Mr. **Smith**. Are you getting a promise from an employer that they will employ somebody who will train for that job?

Mr. **Jones**. That is the purpose of the private industry council, to establish the ranges. Our placement rates are 68 to 70 percent.

Mr. **Smith**. Do they give you promises?

Mr. **Jones**. It depends on the labor market.

Mr. **Smith**. I don't think they have done that in Iowa under JTPA. But that is the key to the whole thing.

Mr. **Jones**. It certainly improves the outcome. There is no question about that.

Mr. **Smith**. It even improves the ones that go in because a lot of them don't want to go in or else they milk the program. They don't have anything to do anyway but they take it anyway. This makes the cost per person who gets employed in the end very, very high.

We can afford all the training programs that you can dream up if everybody gets a job because the income tax pays for it.

Mr. **Jones**. Absolutely. We will take a look at Iowa to see what is going on.

Mr. **Smith**. I don't think Iowa peculiar at all.

Mr. **Jones**. We have the lowest cost of any of the job training programs here.

Mr. **Smith**. What is the cost?

Mr. **Jones**. Now, you have me. I will give it to you for the record.

[The information follows:]

JTPA TITLE II-A COST PER PARTICIPANT

For the most recent program year for which information is available, Program Year 1988, which ended June 30, 1989, the JTPA Title II-A Block Grant programs experienced the following participant costs.

Total cost per new enrollee	$2,066
SDA cost per adult entered employment	2,970
SDA cost per positive youth termination	2,338

Mr. **Smith**. That is the main thing I want to stress to you, we need training. You go out and get the unemployment comp statistics and they will say in the United States we need so many welders. What does that mean to somebody who is not where the job is and maybe their wife or husband has a job locally? They cannot pick up and move and go to the job. It is a whole different approach.

Secretary **Dole**. I appreciate what you are saying. I think that we could talk with you about this if you would like afterward and look particularly at Iowa.

Mr. **Smith**. Frankly, I don't think Iowa is any different than any of the other states. They are doing as well as anybody else. I don't think it is working anywhere.

Mr. **Natcher**. Mr. Pursell.

Mr. **Pursell**. Thank you.

It is an honor to have you before the committee. Having served with you as Secretary of Transportation, I think you are an outstanding leader.

UNEMPLOYMENT INSURANCE

Secretary **DOLE**. Thank you, very much.

Mr. **PURSELL**. The State of Michigan sent us a letter dealing with this particular issue. The Michigan Department of Labor says Michigan will suffer a $6 million loss, a 7.2 percent reduction.

They have, and I agree with you in trying to make some savings and reducing travel, et cetera, since 1980 reduced the employment rate from 6200 employees in the Michigan Employment Service down to 2300. That is a 60 percent reduction in personnel.

They cut their office staff, closed 51 offices since 1980. I don't know how much farther they can go in terms of trying to make some very strong savings. They have done quite well, it is quite an effort. In fact it is more than I can see. The unemployed workers right now are waiting in line for up to five hours to file their claims today. They are standing in line.

So that is a long time. Maybe we might have to have a supplemental. I don't know where Michigan can cut any further.

Secretary **DOLE**. We'll continue to watch the situation very closely including how many are waiting in line and what is going on in these communities. We continue to talk about it in the Administration, as I am sure you do in the Congress.

This January 4 letter was very clear that because of this April 1989 bipartisan budget agreement, neither the Congress nor the President would initiate supplemental requests, except in the case of dire emergencies. We were faced with that. We will monitor this closely and continue to have these discussions to see if there is any possibility of relief somewhere.

UNEMPLOYMENT INSURANCE SUPPLEMENTAL

Mr. **PURSELL**. What would be your best guess in terms of funding that emergency in terms of a supplemental?

Secretary **DOLE**. Did you say what deadline?

Mr. **PURSELL**. When do you think that decision could be made on the part of your department to request a supplemental from Congress?

Secretary **DOLE**. Well, as I say, right now we are really not planning to do that. We are just monitoring.

EDUCATIONAL IMPROVEMENTS

Mr. **PURSELL**. Yesterday I asked Secretary Watkins, the Secretary of Energy, to give us what one priority of anything that he does, inside his operation or outside, to help this country. He said his first request would be to improve our educational components in terms of math and science and engineering in this country.

I have introduced a bill to provide counselors in the elementary schools and I wonder if we are going to go deep enough to the elementary grades. We are improving Head Start. I think the President's goals in education are right on target. Are the agencies such as yourself going to have commissions and more contact with the business community? I think that is good, I think that is an excellent start.

We have done some of that with the National Alliance of Businessmen and the whole history of presidential involvement.

But the federal role is limited in terms of the educational sector, is it not?

Secretary DOLE. There is a great deal we can do. It seems to me you are not going to make a significant contribution in this area unless there is a close working partnership between Education, HHS and other departments as well. Bob Jones and I agree it was a top priority to work with other departments. We have to work smarter and more effectively.

We cannot have overlap and duplication. I think we have done well when you look at the JOBS programs in the HHS. Other departments were involved in the writing and implementing of the regulations, working together to clearly articulate at the state and local levels how the JTPA, federal and state, fit together for the benefit of people at the state and local level.

We are also working to establish an adult literacy program as well as R&D for work force quality, that is, between the two departments.

Mr. PURSELL. Is that a national center?

Secretary DOLE. That is right, yes. There are a number of ongoing initiatives which are designed to make certain that we are working hand and glove so that we do what I think is about the hardest thing to do in government, bring down those barriers and make sure we are not duplicating, but bringing those pieces together to maximize the efforts.

That is crucial. It is not the sexy stuff. It doesn't get headlines, but it is crucial if we are going to make significant headway in this area. I feel that Jim Watkins knows that this is where we have to put so much of our attention: education and job training. Our programs are like a second chance where a person might have dropped out of school. We are trying to give him the second chance, but of primary importance is the first chance, getting the education system straight away.

If we are going to be competitive in a global market, then we have to have a quality workforce, and we don't have it today. That is a crying need, a real problem. I think many businessmen and women are focused on this, but not all have taken in just how serious it is. About 1.3 percent of payroll expenses go to job training now.

RESTRUCTURING JOB TRAINING PROGRAMS

Mr. PURSELL. I understand that you are reorganizing and restructuring your job training programs to be more effective. Can you describe that?

Mr. JONES. It is very much along the lines the Secretary just pointed out where we are trying to deal with several generic issues. We are focusing on the basic levels of achievement in JTPA and the growing interest we have in linking the education system and the school to work system so that the young people have a way to get into the job market. Also, as the Secretary pointed out, we have the issue of life long learning. We need to be concerned about the training that is going on in the workplace as an investment in which people will be engaged everywhere from basic skills to higher level technical skills. We have created an office of workplace learning which works with the community colleges, businesses and unions on the community training and how it can be improved and how incentives can be put in place for more of it.

It is an important part of the system that we have never addressed before.

Mr. PURSELL. I think you are right on target in meeting the needs of a changing society in terms of the workforce.

Secretary DOLE. Also these YOU grants are important. We have not gone into detail, but in another month we will be selecting five areas out of 14 that are competing right now for the $2.7 million that will be matched by the local area.

These will be very high poverty areas that have a lot of the problems that we have been discussing. We will require that they use programs that have proven themselves to be successful in intervening with young people.

Those will be excellent models. Then in 1991 we are asking for $50 million which will give us another 24 areas.

Mr. PURSELL. You say you are working with education components. Are you talking about local school districts, community colleges or universities, or the Department of Education?

Secretary DOLE. Yes, sir, indeed, the local school districts are tied in. In fact, there are incentives to bring together all these parties at the local level.

One example that we have included in our legislative proposal is an incentive grant program for the governors. Basically what this would do is to provide a pot of money that would not be available to the governors unless they could show that they are going to bring together that total support system that we were talking about.

They have to have very definable goals that are measurable. It is a very strict set of requirements. They simply don't get the funding unless they are going to meld together funds from other disciplines as well to provide that total support system.

Mr. PURSELL. I found some of my community colleges are most flexible institutions to work with. The Department of Labor, the workforce and the business management people, have joined to retain people and some of the business leaders. I agree we need more of that.

Secretary DOLE. The incentives are there at the state and local level to pull together all the relevant parties that can make a difference and to provide an interdisciplinary approach.

So a person can say here are all the things that are available to you. We have built that up and down the line at the state and local level for every way we can think of to provide incentives to work together.

Mr. PURSELL. I think this committee will give you a lot of support in that request for $200—some million.

Secretary DOLE. Actually it comes to $317 million when you add all the components together.

Mr. PURSELL. Thank you.

Mr. **Natcher**. Mr. Obey.

Mr. **Obey**. I have 11 questions I would like to get into in my 10 minutes. I hope we can keep responses short.

Secretary **Dole**. I will talk fast.

HEALTH STANDARDS FOR ASBESTOS

Mr. **Obey**. You are preparing final health standards for asbestos. Right now does the law permit young workers under 18 to work in asbestos removal programs?

Secretary **Dole**. I would think absolutely not. We will have to check it.

Mr. **Obey**. I think the answer is that the law does.

Secretary **Dole**. We will have to check that for you.

Mr. **Obey**. I have checked it. The problem that I see is that, as I understand, you received an advisory council recommendation several weeks ago suggesting that we limit exposure of young workers to serious problems in the workplace including ethylene dibromide and asbestos.

What has your response been?

Secretary **Dole**. My response is that we are looking at all the regulations and the exemptions.

Mr. **Obey**. What is your response to that specific recommendation in the advisory committee report?

Secretary **Dole**. I think my earlier answer indicates that I cannot give you an answer today because we have to check on the asbestos portion.

Mr. **Obey**. My understanding is that your response has been to appoint a task force to take a look at it.

Secretary **Dole**. The task force that you are referring to is going to look at the whole child labor area.

Mr. **Obey**. I understand. My point is simply this: I used to work with asbestos. I worked with asbestos for about seven years, from the time I was 14 until I was 22. My very first day on this subcommittee, I walked in and heard Dr. Key from NIOSH tell people that 40 percent of the people in England who worked with asbestos had contracted mesothelioma.

It seems to me that because young workers are exposed to those problems, it seems to me we have an obligation to act at the earliest possible date to guarantee that young workers are not exposed to chemicals in the workplace such as asbestos and the ethylene dibromide. I would urge you, without regard to the task force that you are talking about, I would urge you at the earliest possible date to consider moving on the recommendations of the advisory committee because I think they recognize if you do permit exposure at a very early age you put a considerable number of workers at risk.

I don't think we have to wait until we have a chemical agent wide review by the panel before we take action.

Secretary **Dole**. I don't anticipate this task force will take a long time in its undertakings. I think you make a point that is well worth looking into. That is the reason that I have asked that we look at all the exemptions. From the law, we look at our regulations.

Mr. **Obey**. What I would simply urge——

Secretary **Dole**. That we pull this one out.

Mr. **Obey**. I would simply urge at the earliest possible date that you take action under that with respect to young workers under the child labor law and I would ask that you inform this committee by what time you expect to take action on those recommendations.

Secretary **Dole**. I will be happy to do that.

Mr. **Obey**. I thank you.

Secretary **Dole**. I want to say for the committee that I think we have taken some important steps across the board on child labor.

OSHA STANDARD ON CADMIUM

Mr. **Obey**. I would be happy to get into that but, since time is limited, I would appreciate responses on the question. Which agency is charged with worker health in the workplace, Department of Labor and OSHA or OMB?

Secretary **Dole**. Of course the Occupational Safety and Health Administration is responsible.

Mr. **Obey**. You betcha, I have a lot more confidence in you than in number crunchers at OMB to protect worker health. I think you have a better track record than they do. OSHA was petitioned for an emergency standard in June of 1985 on cadmium. Mr. Pendergrass at that time promised that there would be a notice of rulemaking published in the Federal Register by December of 1987 and a final regulation by May of 1989.

On May of 1988, OSHA missed the deadline. On November of 1988 they provided a completed draft. On June of 1989, OSHA was again taken to court by the chemical workers and the court ordered OSHA to produce a standard. On January 19 they complied with the court order by one day.

So as I understand it, they provided the measure under the gun.

But when they met that court imposed deadline, my understanding is that OSHA indicated that the delay before promulgation of a final standard would be 24 months rather than 18 and they cited as a reason, OMB involvement.

Now, I would simply ask the following questions—these questions are not aimed at you, they are aimed at OMB: Do you know how many workers are chronically exposed to cadmium and face significant risk to their health?

Secretary **Dole**. I don't.

Mr. **Obey**. OSHA estimated there are about 500,000 workers exposed to significant risk above the current permissible exposure limits which OSHA defined as inadequate. My understanding is that OSHA further states that in its proposed rule that 23 to 40 percent of the workers exposed above the standard will develop lung cancer due to occupational lifetime exposure to cadmium and they estimate that 90 percent of the same workers will develop kidney dysfunction.

It is my understanding also that EPA concluded that the available data are adequate to quantify the risk of cancer due to cadmium exposure.

Yet I find some interesting things in the Federal Register. On pages 4083, 4085 and 4087 I find language that reads like this which appeared in OSHA's proposed rule for cadmium. OSHA has received the following comments, then they proceed to cite the number of scientific comments with respect to the proposed standard.

Can anyone tell me when the last time was that unidentified comments appeared in a proposed rather than a final rule? Can anybody here with you tell me when the last time that was?

Mr. **Komarek**. We would have to check on that, Mr. Obey.

OMB REVIEW OF OSHA STANDARDS

Mr. **Obey**. My understanding is that that is an extremely rare practice. I find it interesting that the comments cited were not the comments of other scientists. They were comments from OMB. It seems to me that especially in light of the Supreme Court decision it is the intent of the Congress, at least under the Paperwork Reduction Act, for the Labor Department and OSHA to enforce the law, not OMB.

I would urge you to do everything that you can to reclaim the right of the Labor Department and OSHA to set standards for workers, not the OMB who knows the cost of everything and the value of nothing.

It boggles my mind to see that the court is being told by OSHA that there is going to have to be another six month delay in the preparation of cadmium standards when I am told that OSHA, in an internal memo, that an OSHA official indicated that for every six months delay in that standard you can expect another 250 deaths from lung cancer.

It seems to me that OMB is out of line in foot dragging in implementing the regulations that your agency promulgates. I think you need some help from the Congress and we need some help from you in telling OMB to focus on budgets rather than science because they don't know a damn thing about science.

The other point I would simply make is this: in your budget you ask for how many additional OSHA officers?

Secretary **Dole**. 34. That is 22 compliance officers, 5 enforcement support staff and 7 additional staff for ergonomic and medical technical support.

Mr. **Obey**. You were reduced to how many by OMB?

Secretary **Dole**. Those are our requests for additional staff. Last year I asked for a 10 percent increase and I got that 10 percent. That was 179 additional enforcement-related personnel.

This year I got from OMB an additional 34 which I presented to the Congress.

Mr. **Obey**. Have you gotten every position that you asked for initially?

Secretary **Dole**. That is right. We received the 34 FTE we requested for the targeted program initiative.

Mr. **Obey**. My question is why should you get those since OMB is claiming for itself the right to do so much review in this area?

I guess I am being sarcastic in a way, but would we satisfy OMB's lust for power if we simply gave those positions to OMB since they seem to want to do all the work anyway?

I simply raise this, Madam Secretary, because I think something very important is at stake here. It is not just bureaucratic power.

What is at stake is whether or not workers' health is going to be protected to the maximum ability that we have in the government. In my view if that power lodges primarily in OMB rather than you, a lot of workers are going to die unnecessarily and a lot of workers are going to get sick unnecessarily.

I have no objection to OMB reviewing a standard for budgetary considerations. They have no business under the guise of budgetary considerations to slow down the protections provided for workers' health.

Secretary **Dole**. I think you will find both in Jerry Scannell and myself people dedicated to the health and safety of our workers. I have gone to bat for the OSHA budget. We have nearly $21 million additional in OSHA. Last year I asked for an effective 10 percent increase in inspectors. I got that.

I asked for another 34 this year. I got that. I think you will see the regulations moving expeditiously. Lock-out, tag-out is a very important one. There have been a number this past year that have come forward. You will continue to see the large fines. You will see now a focus on those areas where we have the most number of illnesses and injuries such as in ergonomics.

We are going to be fair but we are going to enforce those laws. I think you will find Jerry Scannell is as committed as I am.

Mr. **Obey**. OMB needs to just get out of the way and let you do your job. If this committee can help, we would be glad to. Also, I think you should reconsider your position on Green Thumb. I don't think it is good to reduce slots there when workers over 55 are having the problems that they are having to keep jobs.

Thank you.

Mr. **Natcher**. Mr. Porter.

Mr. **Porter**. Madam Secretary, thank you for the marvelous job that you are doing over at the Department of Labor, particularly regarding the training of the American workforce which I think is probably one of the most important issues that we have faced.

Also let me commend you on surrounding yourself with very able people. That is a sign of a good administrator. I know you have a staff that is at the top of anyone's list in Washington.

Secretary **Dole**. Thank you. I agree with that assessment of my staff. Let me say they are not only very talented and superbly qualified, but they are people who are committed to the goals. They are caring people who really want to make a difference. That is of great benefit to me.

Mr. **Porter**. I understand that you have not been well. We particularly appreciate your being able to be here today. I am glad to see that you are mended.

Secretary **Dole**. I am holding up fine.

COMPARISON BETWEEN PRIVATE PENSION SYSTEM AND S&L SITUATION

Mr. **Porter**. I want to raise a broad issue regarding the private pension system in America. It seems to me every year or two we have a major scandal regarding a major pension fund that might be stolen or misappropriated.

There is a case in the Supreme Court dealing with LTV with competitors claiming they underfunded their pension fund and therefore had a special competitive advantage.

Eastern Airlines has a problem. In some cases there are allegations that pension funds have purchased junk bonds to facilitate LBO's. What kind of exposure does PBGC have? Are we facing a problem similar to the S&L bail out that we have guaranteed too much and face severe problems?

I know you are asking for additional funding for enforcement and I think that is important.

Secretary Dole. Yes, I think this is very important. First of all, we most definitely are not facing another S&L situation. The private pension system has never been healthier. That doesn't mean that we are not doing all we can to stay ahead of the curve.

REQUEST FOR ADDITIONAL ENFORCEMENT PERSONNEL

Before ERISA was enacted in 1984, about 35 percent of pensions were fully funded. In 1988, 80 percent of pensions were fully funded. Moreover, if one pension fund is not fully funded, it does not affect the others. This is not an S&L situation. I want to just review a number of points. First of all, the reason I have asked for additional enforcement personnel is that the number of plans and the amount of plan assets have been increasing over the 15 years that we have had the ERISA responsibilities. There has not been a corresponding increase in enforcement staff to monitor the plans.

This increase in staff will allow us to have an additional 100 new positions which will produce approximately 1,000 additional investigations and reporting compliance reviews. In addition, we are seeking 33 new positions in the Solicitor's Office.

ROLE OF THE INSPECTOR GENERAL

I think it might be interesting to give you these two charts. I had the greatest respect for the role of the Inspector General when I was at the Department of Transportation, and now at the Department of Labor.

I think it is a very important function. I appreciate very much the recommendations that the IG has made with regard to the system. I have to say that this particular chart must be corrected because there was an error, as reported by the Inspector General, about the number of investigations.

NUMBER OF TARGETED INVESTIGATIONS

If you look at the Inspector General's chart for 1978, you see 8,598 investigations. Then, over a ten-year period, it drops to 1,632 investigations in 1988. The 8,598 figure is for desk audits which are erroneously being compared to investigations. Today we actually conduct 28,000. This is comparing apples and oranges.

That should be 28,000 desk audits in 1988. The 1,632 figure is targeted investigations. If we do get the additional funding, we will be able to conduct an additional 1,000 investigations and reporting compliance reviews to that to make it 2,632 because of the 100 additional enforcement personnel.

USE OF AUTOMATED DATA PROCESSING

This chart shows how we will be using the automated data processing system to assist in targeting investigations. We can get the data from the form 5500's 60 days after they are transcribed by the IRS and determine where there are deficiencies in the information that has been submitted. The computer also generates correspondence to the filer providing notification of the deficiency. We will then be utilizing an automated review of the information to target plans for further investigations.

This shows you how we are going about the investigations in a very targeted manner, utilizing the automated data processing system which has been very, very helpful in obtaining immediate access to information contained in the 5500.

OFFICE OF THE CHIEF ACCOUNTANT

I hope that is helpful to you. Let me just add that the Office of the Chief Accountant has been established within the Pension and Welfare Benefits Administration to review the work of accountants, providing a new aspect to our ERISA enforcement program. Also, we are doing an enforcement review across the entire Department. ERISA enforcement is one of the major thrusts of our review. I am also looking at how we might enhance the private right of action in this area. We will soon have some recommendations in that respect.

RECOMMENDATIONS OF THE INSPECTOR GENERAL

In addition, I am looking at three specific recommendations of the IG. I will be ready by mid-March to say where I am on those three. They are the limited scope audit exemption, peer review of independent public accountants, and when independent public accountants are going about their financial audit of an institution, should they not also ascertain whether fiduciary responsibilities are being met under ERISA and to report those findings to the Department of Labor.

We have to look at what the impact of those changes are. Within a week or so, I should have the recommendations. There are many other things we are doing. I think we are staying ahead of this growth. You can be assured that the system is as healthy as it has ever been.

Mr. **Porter**. It is impressive, it is up to 80 percent funded. However, that means it is 20 percent underfunded.

Secretary **Dole**. Yes.

PENSION PORTABILITY

Mr. **Porter**. That strikes me as a very serious problem. Let me recommend an idea to you. I wonder in my own mind why we have a system the way we have it, why we have corporations having their own pension funds and unions having their own pension funds where an individual worker may often, because we have a very mobile labor force and people move from job to job, they may never be vested under a particular corporate system. Because they move from job to job, they may not have any serious private retirement protection.

Secretary **Dole**. Yes, the portability issue.

Mr. **Porter**. I don't know why our government doesn't facilitate an individual pensions system where the individual would have an individual pension account and the employer would pay into that account with every pay check—one pay check to the worker and one to the account. The employer pays that individual's portion of the retirement funding that is necessary to provide for that individual in the future, so that the worker would have in the retirement account, as he or she goes along from job to job, their own private pension fund, and upon reaching retirement age, would have that money in hand, and they could purchase an annuity which cannot be purchased through a government system.

Secretary **Dole**. I would like to visit with you about this. The issue of pension portability is one I am concerned about as well.

I have some ideas that we are considering on portability and we are discussing possible options with Treasury. It is an area where you want to make certain that the 48 percent of our full-time workers, who have no pension, are offered a pension.

The private pension system is a voluntary system. You don't want to do anything that inhibits workers from getting their pensions. You want pensions to be portable and you want to make sure that pension assets are preserved. I think there are several goals that we need to try to realize. I would like to discuss them with you in detail at a later date.

Mr. **Porter**. I would love to. I think it is an on-going problem. Many people find themselves when they reach retirement age with no protection at all. In a society like this one that is producing so well, it seems to me that is a serious problem for our country, and others find themselves in unfunded pension plans or even in a situation where the PBGC has to bail out the pension plan.

I would like to raise a particular question that I ask you to look into for a constituent of mine. National Thermal Insulation is a company in my district which has a subcontract on a project in Oklahoma. They have been cited by the Department of Labor for a violation of Davis-Bacon. I don't know anything about the thrust of the allegations so I don't want to raise that at all. But I wish to raise the issue that this has been pending for eight months without any progress in the Employment Standards Administration.

It seems to me if we can have some attention to it that the matter can be resolved one way or the other expeditiously in a way that serves the interests of the country and the constituent.

Secretary **Dole**. We will be glad to look into that.

Mr. **Porter**. Thank you very much. I hope that can be moved along.

Mr. **Natcher**. Mr. Stokes.

DRUG ABUSE INTERVENTION

Mr. **Stokes**. Madam Secretary, I want to welcome you before our subcommittee again. Let me start by making reference to what I think is one of the best programs under your jurisdiction and that is the Job Corps program. As you know, that program takes disadvantaged youth from around the country and sort of gives them a second chance on life.

Secretary **Dole**. That is right.

Mr. **Stokes**. I noticed in your fiscal 1991 budget you are proposing about a $3.3 million expanded substance abuse program for intervention with these young people. My understanding is that a large number of these young people come into Job Corps with some history of drug or alcohol abuse in their background.

Can you tell us exactly what this new program is going to do?

Secretary **Dole**. We have conducted a pilot testing program for drug use and intervention in program years 1987 and 1988. It showed marijuana usage prior to entering the program at 30 percent, cocaine 7 percent, PCP 1 percent, opiates 1 percent. Beginning in FY 1989, the program was operating in 20 centers.

The testing leads to early education and treatment and referral, and provides increased staff confidence in addressing drug problems with the students. What we have asked for in program year 1991 is $3.3 million to expand the program to all our centers. That is what the increase involves there.

Mr. **Stokes**. I hope that you are going to consider some additional professional counseling in this type of program. I think that is an important element of this type of program.

Secretary **Dole**. Yes, absolutely.

JOB CORPS FUNDING

Mr. **Stokes**. I notice that you are planning to open two new centers in fiscal year 1991, correct?

Secretary **Dole**. Yes, in Manhattan, Kansas and Gadsden, Alabama, and let me hasten to say, Mr. Hoyer, that Kansas was named before I got to the Department of Labor. They probably would not have had a chance after I got there.

Mr. **Stokes**. Can you tell us what it is going to cost to run these new centers?

Secretary **Dole**. We have $10.8 million in the budget for operational costs. That is the additional operating money that is necessary for those two.

Mr. **Stokes**. Now, I think you are proposing to reduce some training slots by 884 in program year 1990, is that correct?

Mr. **Jones**. This is just due to the lack of money that we have in the system in 1990. They are temporary reductions only at a few centers where we have construction and other things going on. They will be added back in 1991.

Mr. **Stokes**. So you are talking about the current shortfall, is that it?

Mr. **Jones**. Yes, sir.

Mr. **Stokes**. You are also requesting $36.7 million for Job Corps renovations. What is the total mount needed to address the backlog and Job Corps facilities and repairs and enhancements?

Mr. **Jones**. We have an on-going five-year plan, Mr. Stokes, that projects out those needs. The $36.7 million is for construction, rehabilitation, and acquisition which we have discussed with this committee on several occasions the last couple of years. It is from this area that we have taken money to fund operational shortfalls in recent years.

As we have said, after this year, no more. The $36.7 million is what is needed to maintain the quality of the plants out there now. We can no longer delay that issue. We have decided to stick to our guns no matter what. We will need more money in the following years, but for the current years backlog of construction needs, the $36.7 million is what is needed.

Mr. **Stokes**. How about relocations? Will there be any relocations?

Mr. **Jones**. We have a separate list. We have been delaying that for some time because that is not as much of a dire need as the construction issue is. But there are several centers needing relocation either because of lease agreements that are over, or because the facility is ultimately coming to a point where we don't want to invest in it any longer.

Secretary **Dole**. Or it may be a health hazard as well.

TRAINING FOR MINORITIES

Mr. **Stokes**. Madam Secretary, last year you and I had a relatively extensive discussion about minorities and training them for the current workforce.

Secretary **Dole**. Yes.

Mr. **Stokes**. It seems to me that there should be a sense of urgency about what is going to happen in this country 10 years from now in the year 2000.

We know from the Workforce 2000 report that in 10 years one-third of the new entrants into the workforce will be minorities. We know by the year 2000, 39 percent of the entire workforce will be minorities.

Thirty-five percent of our schools today are minority. So we are anticipating in the next century a greater representation of minorities in the American workforce.

Everything we read tells us that we have a shrinking white population and an increasing minority population. I listened intently as you talked about the JTPA program and some of the excitement you have for motivating young people. I don't perceive a sense of urgency in terms of their preparation, in terms of the fact that in 10 years we will be confronted with an enormous problem—the enormous burden in the workforce to be imposed on minorities.

Yet we are not talking about adequately preparing them for their emergence into the workforce in 10 years.

What are your views?

Secretary **Dole**. Well, I hope my commitment in this area is very clear. The largest component of increase in my budget is in this very area.

The $317 million that I was able to obtain is really going to young people who need this additional help. I can go back through the kinds of programs that we are interested in establishing there, but I think basically the idea is providing much more than just job training.

We want to provide the basic skills, remedial education, literacy, counseling, and total support package needed to turn young lives around. Because I have seen it work so effectively time after time, I am committed to this plan.

I regard these young people as my extended family around America. I want them to go with me before business audiences or on television or wherever we can go to raise additional funds or commitment. Obviously, the Federal Government cannot handle it all alone. I think. YOU grants will go a long way to pointing out the very best programs to intervene in your lives.

I am very concerned when I see the recent stories about the young black males and the difficulties there. That is appalling, and we have to regard this as a top priority. I am trying to do what I can within the government in getting increased funding in my area to address these problems. I will be constantly with the business community trying to urge them to take more action.

My idea is to give them some very specific lists of programs that they can be involved in and to try to do everything that I can to urge them on with a bully pulpit, if you will. And they also have some specific ideas, and I think we can make some headway in that respect.

I hope my commitment is really clear in this respect. Certainly we have made this a top priority from the day I entered the Department. The young people are at the top of the priority list. In a week or two I will be appointing a blue ribbon commission of labor, business and education leaders to sit down and hammer out national competency guidelines for work readiness. This will address the concerns of businessmen and women who say the young people coming out of schools do not have the skills for the jobs we have to offer.

I have heard that so much that I think the answer is to bring the parties together in a blue ribbon commission and in job clusters and to have them hammer out what kinds of skills are needed, not just in the jobs of tomorrow, but also today, and to use them in the schools for guidelines for curriculum and graduation.

We are concerned about the 40 percent of kids who graduate but get no further learning. That is where these transition guidelines would come into play. We need to get them into areas where they can make a contribution. I would like to see people using their God given talents. I would like to see us put them into the right slots, so they have the incentives to be fully productive.

I also think the advisory committee will have to help us to encourage more businesses to utilize apprenticeship as a school-to-work transition. These are some of the things in the "Call to Quality" program which has about seven to eight points.

Another item is trying to encourage business community envolvement through a program called "Partners for Tomorrow." We will give them very specific requests and hope that we can really help to mobilize the business community in this regard.

Mr. **Stokes**. Well, I very much appreciate your sensitivity and your commitment in this area. It is good to hear.

Secretary **Dole**. It will remain at the top of the priority list. I will be happy to visit with you if you have other suggestions for us to implement this call to quality.

Mr. **Stokes**. I will be happy to do that.

Mr. **Natcher**. Mr. Obey?

OSHA INCREASES FOR 1991

Mr. **Obey**. Mr. Chairman, I just wanted to see if I could clear something up before I leave. When I asked you about the positions you requested of OMB you responded that you got 34 for OSHA. I was not talking bout safety inspectors. I was talking about preparation of new standards. My impression is that you had asked OMB for additional positions for that and had been denied.

Is that incorrect? Because your budget justification shows that you got no increase for the FTEs.

Mr. **Komarek**. Yes, we did request additional FTEs.

Mr. **Obey**. My impression was that you had asked for 36 and were turned down.

Mr. **Komarek**. We asked for additional FTEs. I will have to verify that number for the record.

Mr. **Obey**. Thank you.

[The information follows:]

DOL Request for OSHA

The Department of Labor requested from OMB an additional 36 FTE for OSHA standards development. The Department of Labor's FY 1991 budget request to Congress, which reflected priority decisions within the Administration to meet the Gramm-Rudman-Hollings deficit reduction targets set by Congress, did not include these FTE.

Mr. **Natcher**. Mr. Early.

Mr. **Early**. I yield to Mr. Hoyer.

Mr. **Hoyer**. Unfortunately, I must leave, but I look forward to greeting you as chairman of the committee in the year 2018, 35 years after I came on, as the chairman observed at the outset.

I came on seven years ago and was assigned this seat. Mr. Early was assigned his seat 14 years ago. The only thing that changed was that they added Mr. Dwyer not because they needed more Members, but to make Mr. Early feel better.

I am a big fan of yours, Madam Secretary. I worked with you when you were Secretary of Department of Transportation. I think you bring an enthusiasm and energy to this job that is essential.

Secretary **Dole**. Thank you.

WORKFORCE QUALITY

Mr. **Hoyer**. I am not as enthusiastic about the budget request as I would like to be because I think the challenge is so great. I think you may share that view privately, but I will not ask your opinion for the record. I hope you are coordinating closely with the Secretary of Education?

Secretary **Dole**. Yes, absolutely.

Mr. **Hoyer**. So much of your effort focuses on the spectrum of life from birth to high school graduation where we are losing so many young people. You mentioned some of the successful efforts with young people that so moved you and talked about bringing them to testify before the Congress. But we are losing, as you well know, one, two, and three-year olds who will never get to that level because we are not helping them now as we could.

The President added $500,000,000 to Headstart. That is a significant step. I support that, but your raising to a crisis the issue of a quality workforce available in the 1990's and the next century is absolutely essential. To the extent you use your pulpit to make that clear to the President, the cabinet, and the Congress, America will be well served. I look forward to working with you on.

Secretary **Dole**. Thank you, very much. That is right at the center of what we are doing. We cannot remain competitive in a complex global market if we don't have a complex workforce. I think more and more people are coming to realize this is a crucial area. Thank you.

Mr. **Hoyer**. Thank you.

UNEMPLOYMENT INSURANCE AUTOMATION

Mr. **Early**. Madam Secretary, I want to welcome you.

$19,148,000 was appropriated in 1990 for states to upgrade the automated systems for collections of benefits and taxes. What plans have been made for these funds?

Mr. **Jones**. The competition for these funds is nearly complete, with awards to be announced shortly. I would expect that these projects will be in place on July 1 of 1990.

STATE UNEMPLOYMENT INSURANCE FUNDING NEEDS

Mr. **Early**. We can't say anything will be in place on July 1, 1990. I was impressed with your statement. You say, this is a good budget, not quick fixes. Everything in Washington is quick fixes.

In my 15 years we have not done much for the long term. How can we suggest long term when we owe the states $100,000,000 to $150,000,000 for unemployment compensation, and we are not going to give it to them.

Secretary **Dole**. This is coming back to the joint agreement between the bipartisan leadership and the Administration. It was agreed to last April.

There are a lot of difficulties. I think we should try to abide by that agreement if there are ways these problems can be dealt with at the state level.

Mr. **Early**. Didn't we agree to give the states that money out of the Unemployment Insurance Contingency account when we wrote the law?

Secretary **Dole**. The problem is that the economy changed and Gramm-Rudman kicked in.

These have to be taken into account. Is it a dire emergency? It is the Congress as well as the Administration that made this agreement.

Mr. **Early**. Now we say we are going to fund the State unemployment insurance automation project in July 1990. What if sequestration comes in? How can we tell the states we are going to do anything when we don't live by our obligations?

You suggested earlier that you were not funding the unemployment account because it is not a dire emergency. In my state, because the state is so financially strapped, we are drastically cutting aid to the mentally handicapped. We are making cuts in education that this country has never seen.

The Department of Labor owes my state $3,500,000 out of the UI contingency account. Who is to say that is not Massachusetts' $3,500,000?

Secretary **Dole**. Let me say as a result of listening to the comments here today, that I will be glad to visit further on this subject within the Administration and I know you will in the Congress because we are both parties to the agreement.

Mr. **Early**. How can you not have a dire emergency if we don't do what we tell the states we are going to do? That is frustrating.

Secretary **Dole**. Based on your frustration and that of others here, I will visit further with it.

STUDY VS. IMPLEMENTATION

Mr. **Early**. There is a waiver provision for a dire emergency. I suggest it is a dire emergency when the states cannot believe the Federal Government. I know your past and what an outstanding record you have had, but do we need more blue ribbon committees?

Secretary **Dole**. This was a very specific mandate. I think you will be pleased with the results of this because this is bringing together those labor leaders, business leaders and educators to really hammer out in a very specific period of time national competency guidelines for work readiness in job clusters.

We are going to literally ask them what skills are going to be needed so this can be utilized in the schools to form the curriculum. I think it addresses the problems. I have had positive responses from business, labor, and educators that this is exactly what we need to do.

It is right on target. They will report within a very specific period of time, and we will give you the results of what they do.

Mr. **Early**. Madam Secretary, there are no specific times in our business. The frustration Mr. Obey had with OSHA, we have restudied and now we are going to let OMB defer for six more months. Will we do that same thing with this problem.

Secretary **Dole**. No. This has not been done before.

Mr. **Early**. We should be implementing and not studying.

Secretary **Dole**. This is not a study. It is action.

Mr. **Early**. A blue ribbon committee. You have been here a long time. Have you ever seen something we have not studied yet?

Secretary **Dole**. This is not a study. I am the one giving them the mandate as to what to do.

Mr. **Early**. I suggest the country would be better off if you just implemented your judgments, implement what you think needs to be done.

Secretary **Dole**. I need the expertise of the business and education community. They need to get together, spell out the skills needed, and have the educators take it into the schools and into the curriculum. I can't do that.

Mr. **Early**. We don't do those things. We don't live by what we say. We don't implement anything. We told the states what was going to be available to them on unemployment compensation and then we changed the rules; not after the 1st or 2nd but after the 9th inning.

If you mean we are going to go for a long-term solution, we should give them the $125,000,000. We don't mean anything. You are going to have that blue ribbon commission come in and they are going to report in a specific time.

What is the time?

Secretary **Dole**. One year.

Mr. **Early**. So that is going to put us into 1991. Then we are getting close to election. OMB is going to say, wait a minute, I don't like those recommendations. As Mr. Obey says, it will be deferred again. We don't do anything except protect ourselves for reelections.

Madam Secretary, you have been around enough that you know we should be implementing more. What I do like in your budget which I think is long range, are the YOU programs. You are going to implement that in only 24 districts because those include the most severe poverty areas.

No one here represents those 24 districts, but they are unique, New York, Chicago.

Secretary **Dole**. And some rural areas, too.

Mr. **Early**. I know my district won't get any funds. But those are the tough decisions you are supposed to be making. You picked the 24 districts. This program will not only help a person to get a job, which is important, but to keep a job, to insure financial security. That is long range.

Madam Secretary, your statement emphasizes long range, but the proposals lie. This budget doesn't implement long-range programs. I wish you would have told Mr. Natcher you were going to ask for a supplemental because you told the states you would owe them for unemployment insurance and you do owe them.

I don't know how you can make long-range plans if you don't do what you say you will do.

You talk about education being so important. My state is drastically cutting education. I don't know you that well, but I know you are tough. We need implementation and not studies.

Secretary **Dole**. I would be happy to visit with you personally on this further. I believe this is an action oriented budget. I don't like sitting around studying either. Everybody on my staff will tell you that we want to move forward. We want to make a difference for people in the limited time we have to serve on this job.

That does not include doing studies to file away on the shelf somewhere. This is a mission field for me, and we are going to make a difference for people.

LONG RANGE GOALS

Mr. **Early**. Are you embarrassed about Mr. Obey's questioning as far as not implementing what you told him you were going to implement on health standards? He has been asking about that for 10 years.

Why should OMB be able to prevent what we agreed to do in a contract?

Secretary **Dole**. I tried to stress with Mr. Obey the positive things that have moved forward. I think we made a lot of progress.

The first increase in inspectors was last year. We have been moving in a lot of areas. I will be glad to look into the areas he mentioned. I am very proud of the progress made in the last year. I think the record is clear. Maybe I can provide some additional information because I would like for you to feel that we have taken firm positive action.

Mr. EARLY. I just want to agree with your statement that we are going to have some long-range goals and they must be implemented.

Secretary DOLE. Thank you.

ELIMINATION OF SUMMER YOUTH PROGRAM

Mr. NATCHER. Madam Secretary, we have about $700,000,000 for the summer youth employment program. This is a program that has helped us in this bill down through the years. Mr. Conte and I, together with the other members of the subcommittee, take this bill to the Floor and at times, Madam Secretary, we need all the help we can get.

This has always helped us with the people in the cities, especially the large cities. Why are you proposing to eliminate that program?

Secretary DOLE. We are not proposing to eliminate it, but we would require that the summer job program be incorporated into a year round, more in-depth training program that provides the opportunity for basic skills training, counseling, and remedial education, as well as training for a job.

It is part of the total support system. I feel this is crucial if we are going to help these people who need the help the most. They are going to need a program that gives them a basic amount of education and training. We do have a major problem in this country.

We want to equip these young people for a lifetime of productive work. I don't think just a summer job will do that. We don't want to eliminate it, but we want to be sure there is a year round effort along with the summer training.

Mr. NATCHER. You have legislation before the Congress to change this program?

Secretary DOLE. That would make it part of a year round program.

Mr. NATCHER. You support that legislation?

Secretary DOLE. Very much so.

MSHA EMPLOYMENT LEVELS

Mr. NATCHER. Madam Secretary, why have you decided to cut employment in the Mine Safety and Health Administration for 1991? Did you take a good look at this agency in imposing this reduction, Madam Secretary?

Secretary DOLE. Yes, we did. It is a matter of funding mandatory cost increases and essential program increases, of course, starting with the Gramm-Rudman level. What we have tried to do there is maintain a balance between enforcement, technical assistance, and education and training.

There is no question that all the mandatory inspections, the four for underground mines and the two a year for surface mines will be conducted. Basically MSHA will incorporate into the overall inspection program certain nonmandatory inspections. The Assistant Secretary and his administrators looked very closely at this. We feel that we can continue certainly with all the mandatory inspections and incorporate some of those that are not mandatory into the overall inspection program.

Mr. NATCHER. Mr. Conte, I yield. I want to take this opportunity, Madam Secretary, to again congratulate you, not only for the great job that you are doing as Secretary of Labor, but also for the way that you handled yourself today.

I admire you. I have been sitting on this committee 32 years now. I have heard a lot of witnesses. I don't think any witness, any witness in any cabinet post has ever come up here better prepared. What I admire about you is that you don't back down. You stand for what you believe in. Whether they agree with you or not, you stand right up there and answer these very difficult questions under very difficult circumstances, too.

I admire you.

Secretary DOLE. Thank you very much. I really appreciate that.

Mr. NATCHER. Mr. Pursell.

Mr. PURSELL. I am sure we all do admire her leadership. She is an outstanding American.

Secretary DOLE. Thank you.

Mr. NATCHER. Madam Secretary, we want to thank you for appearing before our committee at this time on behalf of your budget request for the fiscal year 1991.

This has been a good hearing, Madam Secretary.

You can be assured now that we will bring you out a good bill, maybe a little better than you expect. You may not be able to brag about it, but you will like it. We are glad to have you.

Secretary DOLE. Thank you very much, Mr. Chairman.

Mr. NATCHER. The committee is now in recess until 2 o'clock this afternoon.

[The following questions were submitted to be answered for the record:]

YOUTH OPPORTUNITIES UNLIMITED PROGRAM

Mr. Natcher: Tell us a little more about the proposed new Youth Opportunities Unlimited program. What is the purpose, how would it operate, etc.?

Secretary Dole: The purpose of the YOU program is to concentrate a large amount of resources into high-poverty inner-city and rural areas so as to fundamentally change the focus of opportunities available to youth growing up in these areas. The YOU program will be targeted on communities with a population of 25,000 or less with poverty rates of 30 percent and higher. Such communities include neighborhoods which make up the core of inner-city ghettos and counties in which the most severe rural poverty occurs--the rural South, areas along the Rio Grande, Appalachia, and Indian Reservations.

The YOU program is designed to be not simply a job training program, but rather a community-wide set of interventions which include school reorganization, child development, anti-drug and public health initiatives, greatly expanded recreation and cultural programs for youth, college Upward Bound programs, and private sector initiatives. DOL funds will pay for job training programs, and cities and rural States will compete for these funds based in large part on the degree to which they develop commitments for carrying out these complementary initiatives.

We intend that YOU funds be used for comprehensive job training programs which have been successfully operated in other communities, and also will encourage localities to develop innovative models. Such programs include community learning centers based on the JOBSTART model, alternative schools based on the High School Redirection model, and community rehabilitation programs. We are hoping that complementary programs in schools, child development, and public health will be similarly based on models of demonstrated effectiveness. In a sense, we are trying to put together a model neighborhood program that includes all the interventions which are necessary to turn a community around.

Mr. Natcher: In your view, Madam Secretary, does the Federal government do an adequate job of monitoring and overseeing the use of JTPA funds at the local level? Are some changes required?

Secretary Dole: The Department has recently revised its approach to oversight and monitoring of the Job Training Partnership Act programs that builds upon our overall oversight effort. As part of the process which oversees the compliance of the job training system with the basic JTPA statutory requirements, we are initiating a series of core compliance reviews of the States that will examine the areas of procurement, financial management, monitoring, the summer program and the newly implemented Title III (EDWAA) program. These reviews will focus to a greater extent on local compliance as well as the validation of State systems including the monitoring of local programs. In addition, the Inspector General will be consulted in establishing a process to identify aspects of program management and operation which are of concern to the JTPA system. This process will be used to initiate program-oriented monitoring to determine system practices in the identified areas and to formulate DOL policy where the need is indicated. The Department is reviewing the application of this same approach to programs and activities under the Employment Service.

PROGRAM ADMINISTRATION

Mr. Natcher: You're proposing to cut back the number of employees in the Employment and Training Administration in 1991. Is this the right time to be cutting here?

Secretary Dole: We believe the amount requested will be sufficient to meet our responsibilities. For 1991, the funds requested will finance 32 fewer FTE than are financed for this year. Given the budget deficit constraint, this and other decreases have become necessary. Critical activities will be maintained, most especially staffing in those offices with expected workload increases and new activities related to the proposed JTPA changes and my seven-point program to provide workers with the skills industry needs.

TRADE ADJUSTMENT ASSISTANCE ELIMINATION

Mr. Natcher: This year you are proposing to eliminate the Trade Adjustment Assistance program after telling us last year that you wanted to retain it. What caused you to change your mind?

Secretary Dole: Although last year's budget did not call for the repeal of the Trade Adjustment Assistance (TAA) program, it would be misleading to read this as an endorsement of the program. Rather it recognized that having just extended the program Congress would not give serious consideration to its repeal. For FY 1991 we are faced with even more difficult spending decisions. That is why we must ask that the separate program for workers displaced because of imports be discontinued and that these workers be assisted through the JTPA Economic Dislocation and Worker Adjustment Assistance (EDWAA) program which helps all displaced workers regardless of the reason they are unemployed. This is not a condemnation of TAA, but a decision, demanded by budget constraints, to eliminate programs that overlap and to serve displaced workers through the far more effective EDWAA program, which Congress enacted in 1988.

Mr. Natcher: Is this an effective program?

Secretary Dole: The Trade Adjustment Assistance (TAA) program is duplicative of the Economic Dislocation and Worker Adjustment Assistance (EDWAA) program contained in Title III of the Job Training Partnership Act. EDWAA provides a wide array of adjustment and training services to dislocated workers and provides a far more effective and equitable approach to the problem of worker dislocation than does TAA.

The TAA program's major weakness is its emphasis on extended income support rather than the early intervention and adjustment services that are necessary to promote effective adjustment. The program is also deficient in that it involves a cumbersome certification process that delays response and it inequitably singles out one group of workers for special treatment.

In contrast, EDWAA serves all dislocated workers, without respect to the cause of the dislocation. It includes the same workers covered by TAA, and would serve them more quickly and effectively. EDWAA emphasizes early and rapid delivery of quick adjustment services such job finding assistance, as well as long-term training where needed. Help is available immediately for workers affected by imports as well as other dislocated workers without the delay for investigating a petition that is required under TAA. Finally, while TAA spends most of its resources on cash weekly benefits, EDWAA channels its resources to adjustment services to meet workers' needs.

ERISA ENFORCEMENT EFFORTS

Mr. Natcher: As you know, the Department's Inspector General has been critical of the Department's enforcement effort in the ERISA program. He has even compared the potential liability under ERISA with the Savings and Loan crisis. What is your reaction to this?

Secretary Dole: There is no basis for comparison between private pension plans and savings and loan institutions. We have seen no evidence of widespread and systematic fraud and abuse of benefit plans. In one effort to determine if this was the case, we looked at plans that were terminated without sufficient assets to pay benefits. We found no correlation between underfunded plans and illegal activity. While there are some underfunded plans, the cause of their underfunding does not lie in illegal activity, but rather in previous weaknesses in the law.

Congress and the Administration addressed the structural causes of underfunding in the Pension Protection Act of 1987 by strengthening pension funding requirements and imposing risk-related premiums on underfunded plans. This contributed to a 30% reduction in PBGC's accumulated deficit during 1989 (not including the LTV matter, which is before the Supreme Court).

FINANCIAL CONDITION OF THE PBGC

Mr. Natcher: How would you describe the current financial condition of the Pension Benefit Guaranty Corporation?

Secretary Dole: At fiscal year ended September 30, 1989 the PBGC had assets of $3.2 billion, liabilities of $4.2 billion and a resulting deficit of $1.0 billion, a 30% decrease in the deficit from the prior year. Although PBGC's deficit is $1.0 billion we currently have, and expect to continue, a strong positive cash flow which will permit us to meet our operating costs and benefit obligations to retirees well into the future.

Mr. Natcher: Is it improving?

Secretary Dole: The change in PBGC's financial condition in a given year is very sensitive to whether or not we experience a very large claim. In FY 89, PBGC's claims were below historical average. PBGC's results also reflect a strong investment return earned on PBGC's assets. Given the sensitivity of PBGC's future condition to these two hard to predict variables, it is difficult to predict whether we will be able to continue this trend. PBGC will continue to apply loss prevention strategies initiated in 1989. PBGC is also reviewing its investment policy.

POTENTIAL FEDERAL LIABILITIES

Mr. Natcher: What are the potential Federal liabilities in the pension insurance area? What is the range of estimates?

Secretary Dole: The total liabilities insured by the PBGC's is $820 billion, but these defined benefit plans are overfunded by some $250 billion in the aggregate. Pension underfunding in specific plans is estimated at $20 billion to $30 billion. This exposure is concentrated in the airline, steel and automobile industries.

Mr. Natcher: The Department now has an acting Inspector General. When do you expect the President to nominate a permanent IG?

Secretary Dole: The White House has announced that it will submit to the Senate the name of Julian W. De La Rosa as its choice for Inspector General in the Department of Labor.

JUSTICE DEPARTMENT LEGAL OPINION

Mr. Natcher: We understand that the Justice Department issued a legal opinion about a year ago that restricts the ability of the Inspector General to investigate certain type of criminal violations. Are you familiar with this?

Secretary Dole: I am familiar with that opinion.

Mr. Natcher: The Inspector General evidently feels that this has created significant problems for his office. How do you feel about this?

Secretary Dole: I believe that the Office of Legal Counsel opinion recognizes the very significant authority granted to the Inspector General by the Inspector General Act. It describes the kind of constructive and necessary relationship between a department and the Inspector General essential to the goal of eliminating waste, fraud, and abuse. The purpose of the opinion is to assure that the Inspector General is in the best position to function as an objective official free from general regulatory responsibilities who investigates the employees and operations of a department, as well as its contractors, grantees and other recipients of federal funds.

The Office of Legal Counsel opinion, however, discusses a number of complications and problems that would result from Office of Inspector General and Departmental program agencies exercising concomitant authority to investigate violations of labor statutes. As the Office of Legal Counsel notes, "[t]he purpose of creating an Inspector General was to have an official in the department who would not have responsibility for the operations of the department and would thus be free to investigate and criticize. If the Inspector General undertakes investigations under the department's regulatory statutes, he could not perform this role. One of the Inspector General's functions is to criticize regulatory investigative policy, a function he cannot perform if it is his responsibility to set and implement that policy."

To the extent that the Office of Inspector General's disagreement with the Office of Legal Counsel opinion derives from concern about enforcement of Departmental programs, I must emphasize that I strongly welcome the active oversight and advice of the Inspector General. I am placing the highest priority on the aggressive utilization of all of the Department's enforcement resources. I would also stress that I have advised all Departmental agencies of the continuing importance of cooperation with the Office of Inspector General, which I regard as an important resource in the Department's enforcement activities.

REVIEW OF ENFORCEMENT ACTIVITIES

Mr. Natcher: Are you in the process of conducting an overall review of the Department's enforcement activities?

Secretary Dole: Yes. I have directed that the Department undertake a comprehensive review of its enforcement efforts to identify possible improvements for what is already a first rate enforcement program. We are focusing on a wide range of factors which include: (1) civil and criminal priorities; (2) uniformity and avoidance of regional disparity; (3) the measurement of enforcement efforts based on qualitative and quantitative efforts; (4) employee performance standards and whether proper incentives are provided for qualitative enforcement efforts; (5) the program agencies' relationship with the Office of Inspector General; (6) the program agencies' relationship with the Office of the Solicitor and the Department of Justice; (7) whether the agencies' enforcement priorities are considered in rulemaking and in conforming with the agencies' overall legal strategies; and (8) the allocation of resources among enforcement agencies with more than one enforcement program, for example, the Employment Standards Administration.

Mr. Natcher: When will it be completed?

Secretary Dole: I expect to receive this summer a comprehensive assessment of the program agencies' current enforcement efforts and a final report which will include recommendations and enforcement strategies, coordinated on a Department-wide basis, for each enforcement program agency.

IMPROVING ECONOMIC STATISTICS

Mr. Natcher: We understand that the Council of Economic Advisers is undertaking a Government-wide effort to improve the quality of economic statistics. What role is your Department playing in this, particularly the Bureau of Labor Statistics?

Secretary Dole: The plans developed by the working group chaired by the Council of Economic Advisors (CEA) are being presented to the Economic Policy Council, where I represent the Department of Labor. Commissioner Norwood represents the Bureau of Labor Statistics and the Department at the CEA working group's deliberations. While all Federal programs are subject to the constraints imposed by the current budget environment, the Department's FY 1991 budget reflects my belief that work to address deficiencies in the current statistical system must begin. The 1991 proposal to improve the nation's basic employment statistics and address gaps in program coverage of the service sector in BLS employment, price, wage, and productivity statistics is an important first step in the government-wide effort to improve statistics. The Department will continue to be very prominently involved in the future work of the CEA statistical improvement effort.

Mr. Natcher: Do we need to spend more money to improve the quality of these economic statistics?

Secretary Dole: As the CEA report indicates, while the United States has one of the best statistical systems in the world, there are serious deficiencies in areas critical to the Congress, the executive branch, and other data users in both the public and private sectors. I have asked Commissioner Norwood to begin work on these deficiencies with resources now available. However, as with the other statistical agencies in the executive branch, the range of issues raised by the CEA working groups is very large. This is particularly true in the case of statistics for the service sector where growth in statistical programs has not kept pace with the size and complexity of the economy. Within the constraints of the budget process, the Department of Labor will be working with the CEA and other agencies to determine those areas, beyond those set forth in the 1991 budget, where additional resources may be required in 1992 and beyond.

CHILD CARE

Mr. Natcher: How much involvement have you and your Department had with the Administration's child care proposal?

Secretary Dole: Child care is an important workplace issue in which I and the Department have a keen interest. We, along with other agencies, particularly Treasury and HHS, have worked closely with the White House to craft the Administration's position on this issue. We will continue to work with the White House to ensure passage of this important legislation consistent with the Administration's goals.

Mr. Natcher: Is child care high on the Administration's list of legislative goals for this session?

Secretary Dole: Child care continues to be a priority concern of the Administration's. Today, more than ever, America's working poor need greater assistance with child care so that they can handle the work and family struggles occurring for most parents in the labor force. In January 1990 President Bush proposed the largest increase ever for the Head Start programs, a program which has proven itself to be effective in helping low-income children. The Administration remains committed to the four principles embodied in the President's child care package submitted to Congress in March, 1989. Any legislation presented to the President will be judged on these principles:

-- Maximize Parental Choice: Parents, not the government, are best able to choose the form of quality care their children are to receive.

-- Encourage Options: Federal child care policy should aim to increase, not decrease, the range of options available to parents to satisfy their child care needs, including care by relatives, informal care arrangements with neighbors, and religiously-based care.

-- Non-Discrimination: Federal child care policy should not discriminate against any one form of child care and assistance should be equally available to families who choose to have one parent remain at home to care for their children, as it is to families in which both parents work outside the home.

-- Target Assistance to the Poorest Families: With limited federal resources, new federal child care assistance must be targeted to those families most in need, which are low-income parents.

Mr. Natcher: Do you have any plans for any significant reorganizations in the Department in the coming months?

Secretary Dole: In an effort to enhance ESA's effectiveness and clarify lines of authority and responsibility, as of April 1, 1990, the Administrator of Wage and Hour and the Directors of OFCCP and OWCP will have direct line authority over the program operational units in the field. The position of ESA regional administrator, as it currently exists, will be abolished and new SES positions in various regions with direct line authority over a single program will be created.

RECRUITMENT OF COLLEGE GRADUATES

Mr. Natcher: The President's budget document (p. 283) says that "large entry-level pay disparities between the Federal and non-Federal sectors make the Government non-competitive in attracting as qualified a workforce as the public is entitled to. Further, rigidity in the current systems prevents the Government from recruiting, retaining and relocating critical skill workers." Are you having difficulties at the Labor Department in recruiting young, talented college graduates?

Secretary Dole: The Department is having increasing difficulties in recruiting talented, recent college graduates, especially for employment in high-cost metropolitan areas. Considerable staff time and financial resources are now required for recruiting. The Department maintains contact with colleges and universities. When the interest of well-qualified students is secured, too often, an appointment does not result because of the lengthy hiring process and entry level salaries.

Although impressive improvements have been made, the Federal hiring process is in need of additional restructuring which delegates more of the entry level hiring process to agencies. We understand that OPM is required to replace the Schedule B hiring process with new examinations for all positions formerly covered under PACE. Additionally, OPM will allow delegation of positions not covered by one of the new written tests. This includes such positions as economists, for which the Department of Labor currently has, and will be allowed to retain, a delegated authority to collect and rate applications. The Department has been able to hire high-quality candidates, including women and minorities, in an expeditious manner through delegated examining. When we do our own examining, we are able to do targeted recruiting without the consequence of losing likely applicants in the examining process. We intend to work with OPM to expedite the process of delegating more of the hiring process to departments and agencies.

Entry level salaries which are below those in the private sector represent a major recruiting impediment. The special pay rate provision of the current law has been of some assistance, but this program is cumbersome and does not meet our recruiting needs in a timely fashion. The Department currently has almost 14% of its employees in 48 different occupations covered by special salary rates.

The Administration is proposing actions in FY 1991 to help deal with this problem. As outlined in the President's budget, the Administration will seek legislation to provide 5 percent increases in starting salaries nationwide for college graduate entry-level occupations, to extend current authority to hire at pay levels above the minimum step in all grades, and to authorize recruitment, retention, and relocation bonuses to attract critical skill workers. The Administration is also proposing an 8 percent differential in the three metropolitan areas where the Government encounters the worst recruitment and retention problems -- New York, Los Angeles, and San Francisco areas.

Mr. Natcher. For the record, please supply a table showing employment levels by agency in the department for fiscal years 1989 through 1991.

U.S. DEPARTMENT OF LABOR STAFFING LEVELS

	1989 Full-time Equivalent Actual	1990 Full-time Equivalent Estimate	1991 Full-time Equivalent Request
Employment and Training Administration....................	1,764	1,728	1,696
Labor Management Services...........	975	996	1,106
Pension Benefit Guaranty Corporation	537	546	546
Employment Standards Administration.	4,192	4,043	4,053
Occupational Safety and Health Administration....................	2,410	2,437	2,471
Mine Safety and Health Administratio	2,757	2,688	2,638
Bureau of Labor Statistics..........	2,294	2,414	2,434
Departmental Management, S&E........	1,981	1,969	1,990
Working Capital Fund................	739	736	736
Veterans Employment and Training....	265	288	288
Office of Inspector General.........	529	548	548
TOTAL, Department of Labor........	18,444	18,393	18,506

DOL EMPLOYEE DRUG PROGRAMS

Mr. Conte: The scourge of drugs is hurting our workforce. What are you doing within the Department for your employees to help win the war on drugs?

Secretary Dole: The Department is actively working to combat workplace substance abuse among DOL employees and among DOL contractors and grantees.

With regard to DOL employees, the Department held a Drug Awareness Week from October 22 to 29 which coincided with the 1989 National Red Ribbon Campaign (NRRC) sponsored by the National Federation of Parents. In addition, during FY 1990 OASAM will direct and coordinate the overall implementation of the DOL Drug-Free Workplace Plan which was established in accordance with Executive Order 12564, Section 503 of Public Law 100-71, and the Department of Health and Human Services (DHHS) Mandatory Guidelines for Federal Workplace Drug Testing Programs. The Plan sets forth objectives, policies, procedures, and implementation guidelines to achieve the goal of a drug-free workplace. DHHS which is charged with certifying agency drug-free workplace plans, and the Department of Justice, which is charged with rendering legal advice on implementation of the plans, have found the DOL Plan to be consistent with the Executive Order.

The main features of the DOL Drug-Free Workplace Plan are an Employee Assistance Program (EAP), employee education, supervisory training, and drug testing on a controlled and carefully-monitored basis.

The Department's EAP has provided drug-related assistance to employees for many years. Specifically, it plays an important role in identifying and resolving employee substance abuse by: demonstrating DOL's commitment to eliminating illegal drug use; providing employees an opportunity, with appropriate assistance, to discontinue their drug abuse; providing educational materials to managers, supervisors, and employees on drug abuse issues; assisting supervisors in confronting employees who have performance or conduct problems which may be based in substance abuse; assessing employee problems and making referrals to appropriate treatment and rehabilitation facilities; followup with employees during the rehabilitation period to track their progress and encourage successful completion of the program; and assisting family members of employees.

The DOL EAP is currently available to all employees at the local level. Employees are regularly informed of its services.

In the National Office, significant EAP drug-awareness activities in FY '89 included a program on crack/cocaine and showing a serie of substance abuse films as part of Physical Fitness Week. In FY 1990, the EAP in the National Office plans to sponsor two drug education programs, show drug-education films, and disseminate substance-abuse literature at the DOL Health Fair and on other occasions during the year.

Employee education on the Plan is scheduled for March, April and May of this year. Materials that will be used include a videotape providing an overview of the DOL Drug-Free Workplace Plan, an Instructor's Guide providing discussion points on the videotape; and numerous booklets.

In addition, a library of commercially-produced videotapes on substance abuse are available, through the DOL Academy, for agency use in offering employee education.

Further, the Department has begun general employee education on substance abuse. Specifically, it has distributed, nationwide, anti-drug posters stating, "Stop Drugs, Before They Stop You!" and two booklets entitled, "About Substance Abuse at Work" and "About Employee Assistance Programs," respectively. It also is distributing a weekly series of 52 Substance Abuse Prevention Posters.

With regard to DOL supervisors and managers, all are being trained on their role in implementing the DOL Plan. Two DOL-specific videotapes, an Instructor's Guide and various written materials are being used in the training sessions. Management-designated Agency and Regional Drug Program Liaisons has also been trained on their responsibilities for implementing the Plan in their agencies/regions.

The last element in the DOL Drug-Free Workplace Plan is actual drug testing of employees who are in testing designated positions (TDPs), reasonably suspected of illegal drug use, tentatively selected for placement in TDPs, involved in certain accidents, determined to have completed counseling/treatment after a finding of illegal drug use, and volunteers. Drug testing is scheduled to begin as of April 30, 1990.

Contractors and grantees are the second major focus of the Department's drug abuse program. In this regard, the Drug-Free Workplace Act of 1988 which took effect on March 18, 1989, requires Federal contractors and grantees to keep their workplaces drug-free. They must agree in contracts and grants awarded after March 18, 1989, to adopt and distribute policy statements prohibiting the unlawful manufacture, distribution, possession, or use of controlled substances in the workplace; to notify Federal authorities of any convictions of employees for illegal drug activity in the workplace; and to establish employee awareness programs on the dangers and penalties of workplace drug abuse and the availability of resources for rehabilitation and counseling. Prior to receiving a Federal contract or grant, contractors/grantees must certify to the granting agency that they have such a policy.

OASAM participated in the interagency groups that prepared the final governmentwide Federal Acquisition Regulation for contracts and the common rule for grants which implement the Act.

Recipients of Federal grants or contracts are now required to certify their intent to maintain a drug-free workplace. With the objective of promulgating Department-wide policy, OASAM will convene a working group of officials from agencies in the Department. The group will examine the certification requirements of the Drug-Free Workplace Act. They will be charged with developing a recommended policy statement which reflects the Department's commitment to the program and which addresses the responsibility of DOL officials during onsite visits to grantees/ contractors. The issue of distribution of informational materials will also be addressed.

DRUG PROGRAMS

Mr. Conte: Will you try to replicate these programs in other federal agencies?

Secretary Dole: The Department of Labor has no government-wide responsibility for coordination or oversight (of the implementation) of E.O. 12564 establishing a drug-free Federal workplace. This responsibility is vested in the Interagency Coordinating Group (ICG) which is comprised of the Department of Health and Human Services (HHS), the Department of Justice, and the Office of Personnel Management (OPM). HHS currently chairs the ICG.

CHILD LABOR VIOLATIONS

Mr. Conte: Between 1983 and 1989, the number of child labor violations of the Fair Labor Standards Act increased from 8 thousand to 22 thousand cases. What are you doing to stop these violations?

Secretary Dole: The Department has developed a five-point strategy to deal with the problem.

First, the Department has stiffened penalties for offenders. The Wage and Hour Division's internal procedures for assessing civil money penalties have been revised to require larger penalties. These should markedly deter illegal employment of minors. And we are already developing regulatory proposals to allow even heavier fines -- especially for egregious offenders.

Second, we have established an Intradepartmental Task Force to ensure that the Department's approach to formulating and enforcing our regulations is effective. The Task Force, which has begun its work, is chaired by the Employment Standards Administration (ESA), and includes representatives of the Occupational Safety and Health Administration, the Solicitor of Labor, the Bureau of Labor Statistics, and others.

The Task Force will coordinate enforcement, research and policy development efforts. It will seek to identify and develop meaningful health and injury data essential to policy decisions. It will advise whether the hazardous occupations orders should continue to be reviewed one by one, or whether a more generic approach is feasible. The present approach has no built-in flexibility to accommodate fast-changing workplace technology and conditions.

Third, we are making regulatory changes to assist our enforcement of the hazardous occupation orders. We are examining, by means of our Task Force, the possibility of different regulatory approaches to ensure that our safety regulations for children are current and effective.

Fourth, we will routinely determine, in cases involving serious illegal child labor, whether we should seek court intervention in the form of preliminary and permanent injunctions.

Fifth, we will institute more aggressive, rigorous child labor enforcement, including several nationwide strike force actions that, like one just completed, carry out our commitment to tougher enforcement. Combined with a campaign to heighten public awareness, these efforts should deter violations and increase voluntary compliance with the law.

Mr. Conte: I've heard reports that kids are sleeping in class because their jobs keep them out late at night. How big of a problem is this? Are you working with the Education Department on this?

Secretary Dole: The Fair Labor Standards Act calls for the Department to protect the schooling of 14- and 15-year olds in our regulations, a responsibility we carry out in the hours-worked provisions of Regulation No. 3. Sixty-five percent of the 24,000 child labor violations found in FY 1989 related to the hours and times standards under Child Labor Regulation No. 3, indicating that you have heard reports of a real, serious problem.

We are attacking this problem by stepping up our enforcement of Regulation No. 3 and our other child labor regulations. Our plans for carrying this out include increased civil money penalties, high profile enforcement efforts, and greater use of civil litigation.

Also, we are studying the impact of youth labor on education and plan to consult with the Department of Education in this regard.

MASS LAYOFFS STATISTICS

Mr. Conte: Even though plants continue to close, and we still need information about how those plant closings affect workers, you are proposing to eliminate the Mass Layoff Statistics Program in order to save $6 million dollars. Why do we go through this every year? Doesn't this program fill a timely need?

Secretary Dole: In the current period of budget constraint, it became necessary to eliminate the Mass Layoff Statistics Program in order to-reach the level of resources included in the FY 1991 budget, without affecting the quality of our major core labor statistics programs which provide the economic intelligence to monitor the economy. Since the Mass Layoff Statistics program was not yet fully operational in all States, it did not serve as a national indicator.

Because, the data are most useful at the State and local levels, BLS is prepared to assist those States that wish to operate the program with their own funding. At the national level, the Department of Labor plans to continue to conduct the biennial survey on worker displacement. In addition, we plan to explore the use of information from the Worker Adjustment Retraining Notification (WARN) Act.

AID FOR EASTERN EUROPE

Mr. Conte: To help democracy spread, the Department has sent staff to Eastern Europe. In fact just last Sunday some folks left here to go to Poland to provide assistance. What is the nature of this assistance?

Secretary Dole: The proposed programs for Poland are designed to directly benefit dislocated workers during the difficult transition period. Components of the DOL assistance program broadly include:

-- In the near term, the provision of know-how to help with the establishment of an employment services system to help displaced workers find new employment, to train social service counselors to assist workers and their families unaccustomed to joblessness, and help with the development of the mechanics of an unemployment benefits delivery system.

-- In the medium term, help with the development of the mechanics of a program for worker retraining, including entrepreneurship, and modern construction skills, and the development of a statistical database essential for sound decision-making in a market economy.

In addition to the technical assistance in support of these programs, the Department will seek to provide related necessary expertise, software, and equipment provided through donations from the government, private, and non-profit sectors. Programs will be delivered largely in-country, consistent with the wishes of the Poles and Hungarians. They will focus on the development of effective model systems and "train-the-trainer" initiatives that can be duplicated by Polish and Hungarian nationals.

In Poland, the program will be administered in cooperation with the Ministry of Labor and Social Policy, the Ministry of National Education, the Central Statistical Office, and the non-profit Economic Foundation of the free trade union NSZZ Solidarnosc.

FINDING GOOD WORKERS TO ACHIEVE SECRETARIAL GOALS

Mr. Conte: Secretary Dole, you clearly have a sense of where you want the Department to go. How difficult has it been to find good workers to help you reach those goals?

Secretary Dole: The lengthy hiring process and inadequate entry-level Federal salaries result in long delays in filling jobs and affect the quality of recruits. This impacts negatively on the ability of our managers to accomplish the Department's program objectives.

The Department has had some success in achieving expeditious hiring of quality candidates through delegated examining. We understand that OPM is required to replace the Schedule B hiring process with new examinations for all positions formerly covered under PACE. Additionally, OPM will allow delegation of positions not covered by one of the new written tests. This includes such positions as economists, for which the Department of Labor currently has, and will be allowed to retain, a delegated authority to collect and rate applications. Similarly, the special pay rate provision of the current law has been of some assistance, but this program is cumbersome and does not meet our recruiting needs in a timely fashion. The Department currently has almost 14% of its employees in 48 different occupations covered by special salary rates.

The Administration is proposing actions in FY 1991 to help deal with this problem. As outlined in the President's budget, the Administration will seek legislation to provide 5 percent increases in starting salaries nationwide for college graduate entry-level occupations, to extend current authority to hire at pay levels above the minimum step in all grades, and to authorize recruitment, retention, and relocation bonuses to attract critical skill workers. The Administration is also proposing an 8 percent differential in the three metropolitan areas where the Government encounters the worst recruitment and retention problems -- New York, Los Angeles, and San Francisco areas.

SENIOR COMMUNITY SERVICE JOBS PROGRAM

Mr. Conte: I was disappointed to learn that you're requesting an $11 million decrease in the Senior Community Service Employment Program. That will mean 5 thousand fewer jobs for seniors. What's going on here? Isn't this counter to the aging trend in this country?

Secretary Dole: At the time decisions were reached on this budget, it was assumed that FY 1990 funding for this program would be $343 million, the $362 million appropriated reduced by the 5.3 percent sequestration in effect at the time. A similar level was to be requested for FY 1991. Subsequent to this decision, reconciliation was enacted reducing amounts sequestered. However, given overall budget constraints, program funding could not be increased.

While the decrease in the 1991 funding level will translate into a decrease in slots of 6,600 below the number available in 1990, no participants will lose their SCSEP jobs because of the reduced spending. The reduction will be accommodated through attrition and not filling vacancies of persons who leave the program to take other jobs, or who leave for other reasons. During the last program year alone, 15,000 people were placed from the program into unsubsidized jobs. This number is substantially more than the 6,600 slot loss anticipated from the FY 1991 slot level.

Mr. Conte: The minimum wage increase will also affect older workers. How will the change affect the Senior Community Service program?

Secretary Dole: Since wages (largely at the minimum wage) and related fringe benefits comprise more than eighty percent of costs for the Older Americans program, the annual costs of a slot will increase from the $5,225 budgeted before the increase to $5,652 in PY 1990, beginning July 1, 1990, and $6,061 in PY 1991.

JOB CORPS

Mr. Conte. For FY 91 you propose to expand the drug abuse program from 20 pilot sites to all Job Corps centers. What have you learned from the pilot sites that would warrant expansion of this effort?

Secretary Dole. We learned that 30 percent of incoming students tested positive for marijuana, 7 percent for cocaine, 2 percent for PCP and 1 percent for opiates. The test results were used to confront students directly, and helped break down denial of drug use. The testing process enabled staff to enroll abusers into counseling and treatment at an early stage. Early identification of students with drug problems benefited not only the individual drug abuser but also the entire student population by decreasing disruptive and disturbing incidents and removing hard core abusers. Students who were unable, because of the depth of their problem, or unwilling to succeed in the drug program were medically terminated with appropriate referrals to community health resources. This contrasts with non-pilot centers where such students are not always diagnosed as having drug problems and are often terminated for misbehavior without benefit of medical referrals.

OLDER AMERICANS PROGRAMS

Mr. Conte: What other effects will the increased minimum wage have on older workers?

Secretary Dole: As I have said, no participant will lose an SCSEP job because of the reduced number of slots in this program. We also believe that many older workers who are interested will be able to find jobs in the private sector at or above the minimum wage without assistance from the federal government. These workers will be assisted by the fact that, due to tight labor markets, the private sector has been increasingly turning to older workers for hard to fill jobs often at or somewhat above the minimum wage.

DEPARTMENT MISSION

Mr. Conte: Secretary Dole, lately there has been discussion about your seven point agenda. Some of it has focused on the Department's role in providing a good workforce for this nation. What do you think the Department's role should be?

Secretary Dole: I believe the Department of Labor has a very important role to play developing public policies and strategies that will affect the growth of a productive workforce. We are the only Federal agency that intervenes regularly on both sides of the labor market. On the workplace side, the Department is responsible for improving the quality of jobs through employment and labor standards, pension policies, and occupational safety and health policies. On the workforce side, employment and training programs aim to improve the competency and mobility of the labor force.

We certainly have a role to play in stimulating public debate on the challenges facing us and to serve as a catalyst to encourage the necessary responses by the public and private sectors. We will also use our resources to augment our current pace of job creation with a strategy of "growth plus" -- growth, plus policies to help those for whom the jobs of the future are now out of reach because of a skills gap, family pressures, or the lack of supportive policies. Our proposed amendments to the Job Training Partnership Act and my seven part agenda reflect our commitment to develop policies that address the needs of the workforce and to call attention to these issues so that other public and private entities can also respond.

Mr. Conte: I understand that you like cross-departmental collaboration. What's the Department currently doing to collaborate with other federal agencies?

Secretary Dole: We are currently working actively with other Departments on several fronts. We are engaged with the Departments of Education and Health and Human Services in a three-year, multi-million dollar technical assistance effort to help States in the implementation of the new JOBS program. JTPA is currently revising its performance management system, including reporting requirements, in anticipation of statutory changes in JTPA, and we hope to better coordinate its activities with JOBS. In doing so, representatives from Health and Human Services and Education have participated in Department of Labor sponsored meetings. These consultations have given both JTPA and JOBS representatives valuable information. As part of this effort, staff are discussing how this technical assistance can promote local efforts to mesh support services, such as child care, with training and education. Another example is the discussion between Department of Labor and Education staff on how to encourage local JTPA offices to secure Pell Grants for JTPA participants in vocational programs that meet Pell requirements. These Pell Grants can help offset living as well as child care expenses.

Many of the Department of Labor's workplace literacy research and demonstration activities are being coordinated jointly with the Departments of Education, Commerce and other Federal agencies. Specifically, Education and Labor will jointly fund a Center for Adult Literacy: a 5-year collaborative effort to improve the quality of literacy and basic skill services, and information sharing and dissemination about what is known on testing instruments, instructional techniques and technologies in adult basic skills. The Center will serve as a bridge between research and practice in the field and will be a resource for both policy makers and practitioners. We are participating, with Education and Health and Human Services, in a congressionally-mandated study about all adult education programs within the Federal government that support literacy, basic skills, English as a Second Language and adult secondary education. In addition, we are funding a study to profile the literacy skills of populations served by DOL, in JTPA and the Employment Service, and using these results, develop an Adult Literacy Test that can help local education and job training programs place individuals into existing programs as well as evaluate the amount of learning that occurs.

The Department of Labor has consulted with the Departments of Education and Health and Human Services on a range of issues for promoting collaboration and cooperation among our State and local counterparts. The Department is very interested in collaborative arrangements among human resource development programs. One of the guiding principles of our proposed JTPA amendments is to achieve a comprehensive, coordinated human resource program. The amendments require local JTPA programs to establish linkages with other programs, including job training, education, rehabilitation, and welfare programs, and the Employment Service. We are also working with other agencies to ensure that similar types of linkage and coordination arrangements are included in other human resource legislation.

We have also undertaken a variety of research, demonstration, and technical assistance initiatives relating to coordination. For example, we are currently funding several studies that will increase our knowledge about the types of public and private linkages that exist in our communities for providing training. The Urban Institute recently completed a report on linkages between welfare and employment and training programs at 13 sites across the country that gave us important information on institutional arrangements between the two systems.

Mr. Conte: Secretary Dole, how has the sequester affected the Department of Labor and the workers it serves?

Secretary Dole: The Department will absorb a sequester of approximately $11 million in FY 1990. This will not be easy to do, but I believe we can manage it without having an adverse impact on our employees or the people we serve. Because it was an across-the-board reduction, some programs will experience more difficulty than others. I fully expect, however, that essential services will be maintained.

Mr. Conte: Is sequester a good thing?

Secretary Dole: I think I would prefer to describe a sequester as a necessary thing rather than a good thing. Clearly, the budget deficit is a problem we must solve. If it takes a sequester to keep us on track, then I support it. As an administrator and manger of DOL's programs, however, I dislike the sequester because it represents an inflexible, across-the-board approach to budget reductions. If I had to take a budget cut, I would much prefer to have some discretion in its implementation.

ERISA'S ADVISORY BOARD

Mr. Stokes: Could you provide the following information: the name of the members of the ERISA Advisory Board, the date on which their terms expire, and the category of interests each one represents (e.g. actuaries, investment managers, etc.).

Secretary Dole: The following is the list of names of the members of the ERISA Advisory Board along with the category of interests each member represents and their respective term expiration date:

Name	Category	Term Expires
Nancy Altman	General Public	11/91
Joseph Deacon	Employers	11/91
Myra R. Drucker	Investment Management	11/90
Michael Gordon	General Public	11/90
William S. Hoffman	Employee Organizations	11/90
Edd Holder	Employers	11/92
Dennis M. Kass	Investment Counseling	11/91
Edmund F. Kelly	Insurance	11/92
Robert D. Lebenson	Actuarial Counseling	11/91
David J. MacKenzie	Employers	11/90
Meredith A. Miller	Employees	11/92
Edgar Pauk, Esq.	General Public	11/92
D. Qigg Porter, Jr.	Corporate Trust	11/90
James S. Ray	Employee Organizations	11/91
David M. Walker	Accounting	11/92

PBGC'S ADVISORY COMMITTEE

Mr. Stokes: Could you please provide the following information: A. The name of the members of both the ERISA advisory board and the PBGC advisory board, the date on which their term expire, the category of interests each one represents, (e.g., actuaries, investment managers, etc.)

Secretary Dole: As of February 20, 1990, PBGC's Advisory Committee had one member and six vacancies. The member is Eugene B. Burroughs, whose term expires on February 19, 1991. Mr. Burroughs represents the interests of the general public. The prior incumbents, except for one that recently died, serve as consultants and attend the meetings.

Mr. Stokes: B. The schedule of the past years meetings, as well as, this year's meetings of both boards, including: the location, the date and time, the agenda, attendance list and expense report.

Secretary Dole: By law, PBGC's Advisory Committee is to meet at least six times per FY or Annual year. Under Section 4002(h)(8) of the the Employee Retirement Income Security Act, as amended (ERISA), the Committee is exempt from the Federal Advisory Committee Act and is not required to establish or publish an advance schedule of meetings. The Committee does not plan an annual schedule for its meetings.

In FY 1989, the Committee met on November 21, 1988, in Washington, D.C.; January 15-17, 1989, in San Diego, California; March 10, 1989, in Washington, D.C.; May 8, 1989, in Washington, D.C.; July 17, 1989, in Washington, D.C.; and September 26, 1989, in Washington, D.C. In FY 1990, the Committee has met December 4, 1989, in Washington, D.C.; January 22, 1990, in Washington, D.C.; and March 11-12, 1990, in San Diego, California. The Committee has scheduled its next meeting for May 14, 1990, in Washington, D.C., but has not scheduled any other meetings yet.

Agendas for each meeting held to date and separate attendance lists for all but the March 1990 meeting follows:

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 103

Washington, D.C.
Monday, November 21, 1988

TIME	SUBJECT	PRESENTER	ATTENDEES
8:00-12:15 10:00-11:00	Investment Subcommittee Meeting Regulations Subcommittee Meeting	John Hotchkis Myron Mintz	Lou Faircloth J. Ronald Goldstein
12:30	LUNCH		
1:00	Meeting begins. Approval of minutes of Meeting Number 102.	Murray Hayutin **	Utgoff/Dellinger/Vasquez
1:05	Executive Director's Report		Kathleen Utgoff ------------
1:35	Deputy Executive Directors' Reports A. McLouth Steel ESOP	Dellinger/Vasquez	DeHarde/Ford
3:00	Break		
3:10	Investment Subcommittee Report	John Hotchkis	Maslan/Faircloth
3:30	Regulations Subcommittee Report	Myron Mintz	J. Ronald Goldstein
4:00	Old Business		-------------------
4:15	New Business		-------------------
4:30	Date of Next Meeting		-------------------
4:35	Executive Session		-------------------
5:00	Adjournment		

** ATTEND ALL SESSIONS

Meeting Number 103
The Advisory Committee of the
Pension Benefit Guaranty Corporation
Washington, D.C.
November 21, 1988

Attendees:

Advisory Committee: Murray P. Hayutin, Chairman
Eugene B. Burroughs
John F. Hotchkis
Perry Joseph
M. J. Mintz
Richard M. Prosten
Ralph J. Wood, Jr.

Representative of the Secretary of the Treasury: Patrick Garabedian

Representative of the Secretary of Commerce: Jane W. Molloy

Wilshire Associates: George Sands

PBGC: Dr. Kathleen P. Utgoff, Executive Director
Royal S. Dellinger, Dep. Exec. Dir.
Joseph A. Vasquez, Dep. Exec. Dir.

Staff: Jon Breyfogle
Emory Bevill
Raymond Tachoir
Gary Ford
Stephen Faherty
Lawrence Maslan
Lou Faircloth
Joel Greenblatt

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 104

La Jolla, California
Sunday, January 15, 1989

TIME	SUBJECT	PRESENTER	ATTENDEES
7:00 p.m.	Dinner: Prepare and finalize agenda		------------------

Monday, January 16, 1989

TIME	SUBJECT	PRESENTER	ATTENDEES
8:30 a.m.	Call to order	Murray Hayutin	** Dellinger/Faircloth
8:35 a.m.	Approval of minutes of Meeting Number 103	Murray Hayutin	
8:40 a.m.	-- Deputy Executive Director's Report -- Staff Investment Committee Report -- Investment Guidelines, including asset allocation and use of junk bonds	Royal Dellinger Lou Faircloth	
12:00	Working Lunch		

** Attend all Sessions

TIME	SUBJECT	PRESENTER	ATTENDEES
1:00 p.m.	-- Privatization Guidelines (when, where, how) -- Loss allocation: possible implementation -- LTV update and pertinent recommendations -- Guidelines recommended to future members and/or staff -- Policy on "shutdown benefits" -- International Insolvency Insurers Association studies of other methods of handling insolvent plans -- Legislation to allow pension plans to fully fund current obligations -- How to improve the environment for defined benefit plans -- Reversions: what is appropriate policy? -- Motion to appoint present members with terms expiring in February 1989 as consultants until replaced or reappointed -- Other New Business -- Adjourn		

** ATTEND ALL SESSIONS

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 104

La Jolla, California
Tuesday, January 17, 1989

TIME	SUBJECT	PRESENTER		ATTENDEES
8:30 a.m.	Call to order	Murray Hayutin	**	Dellinger/Faircloth
	Subcommittee Reports			
	Action on agenda as appropriate			
12:00	Adjourn			

** Attend all Sessions

Meeting Number 104
The Advisory Committee of the Pension Benefit Guaranty Corporation
San Diego, California
January 15 - 17, 1989

Attendees:

Advisory Committee: Murray P. Hayutin, Chairman
Eugene B. Burroughs
John F. Hotchkis
Perry Joseph
M. J. Mintz
Richard M. Prosten
Ralph J. Wood, Jr.

Wilshire Associates: Lawrence Davanzo
Steve Nesbitt

PBGC: Royal S. Dellinger, Dep. Exec. Dir.

Staff: Lou Faircloth

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 105

Washington, D.C.
Friday, March 10, 1989

TIME	SUBJECT	PRESENTER	ATTENDEES
8:00-12:15	Investment Subcommittee Meeting	John Hotchkis	Lou Faircloth
10:00-11:00	Regulations Subcommittee Meeting	Myron Mintz	Goldstein/Lindeman
12:30	LUNCH		
1:00	Meeting begins. Approval of minutes of Meeting Number 104.	Eugene Burroughs	Utgoff/Dellinger/Vasquez **
1:05	Executive Director's Report	Kathleen Utgoff	------------------
1:15	Presentation by John Erlenborn		------------------
2:15	Deputy Executive Directors' Reports	Dellinger/Vasquez	Faherty/Falsey
3:00	BREAK		
3:15	Investment Subcommittee Report	John Hotchkis	Maslan/Faircloth
	A. Discussion of investment strategy -- Wilshire paper on junk bonds and international equity investments		
	B. Discussion of written statement of PBGC investment policy	Eugene Burroughs	
	C. Summary and opinions of investment strategy -- Wilshire		
4:30	Regulations Subcommittee Report	Myron Mintz	Goldstein/Lindeman
5:00	New members' view of Privatization Paper		------------------
5:20	Discussion of format and date of next meeting -- suggested date is May 15, 1989		
5:30	Old Business		------------------
5:40	New Business		------------------
5:50	Date of Next Meeting		------------------
6:00	Executive Session/Adjournment		------------------

** ATTEND ALL SESSIONS

Meeting Number 105
The Advisory Committee of the Pension Benefit Guaranty Corporation
Washington, D.C.
March 10, 1989

Attendees:

Advisory Committee: Eugene B. Burroughs
  M. J. Mintz
  Richard M. Prosten

Consultants to the Committee: Murray P. Hayutin
  John F. Hotchkis
  Ralph J. Wood, Jr.

Representative of the
  Secretary of Labor: Stephen Finan

Representative of the
  Secretary of the Treasury: Patrick Garabedian

Representative of the
  Secretary of Commerce: Jane W. Molloy

Special Assistant to the
  Secretary of Labor: Douglas Cannon

Guest Speaker: John Erlenborn

PBGC: Dr. Kathleen P. Utgoff, Executive Director
  Royal S. Dellinger, Dep. Exec. Dir.
  Joseph A. Vasquez, Dep. Exec. Dir.

Staff: Stephen Faherty
  Carol Flowe
  Lawrence Maslan
  Lou Faircloth
  Henry Thompson
  Joel Greenblatt

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 106

Washington, D.C.
Monday, May 8, 1989

TIME	SUBJECT	PRESENTER	ATTENDEES
8:00-12:15	Investment Subcommittee Meeting	John Hotchkis	Lou Faircloth
10:00-11:00	Regulations Subcommittee Meeting	Myron Mintz	Sevin/Cicconi/Lindeman
12:30	LUNCH		
1:00	Meeting begins. Approval of minutes of Meeting Number 105.	Eugene Burroughs **	Utgoff/Dellinger/Vasquez
1:15	Presentation by Dallas Salisbury		------------------
2:15	Executive Director's Report	Kathleen Utgoff	------------------
3:00	BREAK		
3:15	Corporate ombudsman program	Ellan Spring	------------------
3:30	Deputy Executive Directors' Reports	Dellinger/Vasquez	DeHarde/Flcwc
4:15	Investment Subcommittee Report A. Discussion of investment strategy -- Wilshire paper on junk bonds and international equity investments B. Summary and opinions of investment strategy -- Wilshire	John Hotchkis	Maslan/Faircloth
5:15	Regulations Subcommittee Report A. Regulations B. Withdrawal liability in fully funded multiemployer plans	Myron Mintz	Sevin/Cicconi/Lindeman
5:30	Old Business		------------------
5:40	N[illegible]usiness		------------------
5:50	Date of Next Meeting		------------------
6:00	Executive Session/Adjournment		------------------

** ATTEND ALL SESSIONS

Meeting Number 106
The Advisory Committee of the
Pension Benefit Guaranty Corporation
Washington, D.C.
May 8, 1989

Attendees:

Advisory Committee: Eugene B. Burroughs
M. J. Mintz
Richard M. Prosten

Consultants to the Committee: Murray P. Hayutin
John F. Hotchkis
Ralph J. Wood, Jr.

Representative of the
Secretary of Labor: Stephen Finan

Representative of the
Secretary of the Treasury: Patrick Garabedian

Representative of the
Secretary of Commerce: Jane W. Molloy

Guest Speaker: Dallas Salisbury

PBGC: Dr. Kathleen P. Utgoff, Executive Director
Royal S. Dellinger, Dep. Exec. Dir.

Staff: William DeHarde
Carol Flowe
Judith Bekelman
Joel Greenblatt

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 107

Washington, D.C.
Monday, July 17, 1989

TIME	SUBJECT	PRESENTER	ATTENDEES
8:00-12:15	Investment Subcommittee Meeting	John Hotchkis	Lou Faircloth
10:30-11:30	Regulations Subcommittee Meeting	Myron Mintz	Sevin/Lindeman
12:30	LUNCH		
1:00	Meeting begins. Approval of minutes of Meeting Number 106.	Eugene Burroughs **	Lockhart/Dellinger/ Cannon/Breyfogle
1:15	Presentation by Dr. Dan McGill		------------------
2:15	Executive Director's Report	James Lockhart	------------------
3:00	BREAK		
3:15	Corporate ombudsman program	Ellan Spring	------------------
3:30	Deputy Executive Directors' Reports A. Operations Report B. Litigation Report	Dellinger/Cannon/Breyfogle William DeHarde Carol Flowe	
4:15	Investment Subcommittee Report	John Hotchkis	Maslan/Faircloth
4:30	Regulations Subcommittee Report	Myron Mintz	Sevin/Lindeman
4:45	Old Business		------------------
4:55	New Business		------------------
5:05	Date of Next Meeting		------------------
5:15	Executive Session/Adjournment		------------------

** ATTEND ALL SESSIONS

Meeting Number 107
The Advisory Committee of the
Pension Benefit Guaranty Corporation
Washington, D.C.
July 17, 1989

Attendees:

Advisory Committee: Eugene B. Burroughs
M. J. Mintz
Richard M. Prosten

Consultants to the Committee: Murray P. Hayutin
John F. Hotchkis
Ralph J. Wood, Jr.

Representative of the
Secretary of Labor: Stephen Finan

Representative of the
Secretary of the Treasury: Patrick Garabedian

Representative of the
Secretary of Commerce: Jane W. Molloy

Guest Speaker: Dr. Dan M. McGill

PBGC: James B. Lockhart, Executive
Director
Royal S. Dellinger, Dep. Exec. Dir.
Douglas R. Cannon, Dep. Exec. Dir.

Staff: Steven Hill
Wayne Poll
William DeHarde
Carol Flowe
Ellan Spring
Lawrence Maslan
Lou Faircloth
Judith Bekelman
Joel Greenblatt

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 108

Washington, D.C.
Tuesday, September 26, 1989

TIME	SUBJECT	PRESENTER	ATTENDEES
8:00-12:15	Investment Subcommittee Meeting	John Hotchkis	Faircloth/Maslan
10:30-11:30	Regulations Subcommittee Meeting	Myron Mintz	Goldstein/Lindeman/Sevin
12:30	LUNCH		
1:00	Meeting begins. Approval of minutes of Meeting Number 107.	Eugene Burroughs **	Lockhart/Dellinger/Cannon/Hill
1:10	Executive Director's Report	James Lockhart	-------------------
1:45	Report on New Legislation	Gustafson/Lindeman	Gail Sevin
2:15	Deputy Executive Directors' Reports		
	A. Negotiations	Royal Dellinger	
	-- Litigation	Carol Flowe	
	B. Management	Douglas Cannon	
	-- Insurance Operations	William DeHarde	
	-- Financial Operations	Lawrence Maslan	
3:15	BREAK		
3:30	Investment Subcommittee Report	John Hotchkis	Maslan/Faircloth
3:45	Regulations Subcommittee Report	Myron Mintz	Goldstein/Lindeman/Sevin
4:00	Old Business		-------------------
4:05	New Business		-------------------
4:10	Date of Next Meeting		-------------------
4:15	Executive Session/Adjournment		-------------------

** ATTEND ALL SESSIONS

Meeting Number 108
The Advisory Committee of the Pension Benefit Guaranty Corporation
Washington, D.C.
September 26, 1989

Attendees:

Advisory Committee: Eugene B. Burroughs
M. J. Mintz
Richard M. Prosten

Consultants to the Committee: Murray P. Hayutin
John F. Hotchkis
Ralph J. Wood, Jr.

Representative of the
Secretary of Labor: Stephen Finan

Representative of the
Secretary of the Treasury: Gordon Eastburn

Representative of the
Secretary of Commerce: Jane W. Molloy

PBGC: James B. Lockhart, Executive Director
Royal S. Dellinger, Dep. Exec. Dir.
Douglas R. Cannon, Dep. Exec. Dir.

Staff: Steven Hill
David Lindeman
David Gustafson
Gail Sevin
William DeHarde
Carol Flowe
Lawrence Maslan
Lou Faircloth
Judith Bekelman
Joel Greenblatt

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 109

Washington, D.C.
Monday, December 4, 1989

TIME	SUBJECT	PRESENTER	ATTENDEES
8:00-12:15	Investment Subcommittee Meeting	John Hotchkis	Faircloth/Maslan
10:30-11:30	Regulations Subcommittee Meeting	Myron Mintz	Goldstein/Lindeman/ Sevin
12:30	LUNCH		
1:00	Meeting begins. Approval of minutes of Meeting Number 108.	Eugene Burroughs **	Lockhart/Burkley/ Cannon/Hill
1:10	Executive Director's Report and DOL Presentation	James Lockhart	-------------------
2:00	Report on Legislation	David Lindeman	Gail Sevin
2:15	Deputy Executive Directors' Reports		
	A. Negotiations	Diane Burkley	
	-- Litigation		Carol Flowe
	B. Management	Douglas Cannon	
	-- Financial Report		Lawrence Maslan
3:15	BREAK		
3:30	Investment Subcommittee Report	John Hotchkis	Maslan/Faircloth
3:45	Regulations Subcommittee Report	Myron Mintz	Goldstein/Lindeman/ Sevin
4:00	Old Business		-------------------
4:05	New Business		-------------------
4:10	Date of Next Meeting		-------------------
4:15	Executive Session/Adjournment		-------------------

** ATTEND ALL SESSIONS

Meeting Number 109
The Advisory Committee of the
Pension Benefit Guaranty Corporation
Washington, D.C.
December 4, 1989

Attendees:

Advisory Committee: Eugene B. Burroughs
M. J. Mintz
Richard M. Prosten

Consultants to the Committee: Murray P. Hayutin
John F. Hotchkis
Ralph J. Wood, Jr.

Representative of the
Secretary of the Treasury: Patrick Garabedian

Representative of the
Secretary of Commerce: Jane W. Molloy

PBGC: James B. Lockhart, Executive Director
Diane E. Burkley, Dep. Exec. Dir.
Douglas R. Cannon, Dep. Exec. Dir.

Staff: Steven Hill
David Lindeman
Carol Flowe
Lawrence Maslan
Lou Faircloth
Charles Evans
Robert Geiger
Marykay Fuller
Judith Bekelman
Joel Greenblatt

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 110

Washington, D.C.
Monday, January 22, 1990

TIME	SUBJECT	PRESENTER	ATTENDEES
8:00-12:15	Investment Subcommittee Meeting	John Hotchkis	Faircloth/Maslan
10:30-11:30	Regulations Subcommittee Meeting	Myron Mintz	Goldstein/Lindeman/ Sevin
12:30	LUNCH		
1:00	Meeting begins. Approval of minutes of Meeting Number 109.	Eugene Burroughs **	Lockhart/Burkley/ Cannon/Hill
1:10	Executive Director's Report	James Lockhart	------------------
1:20	Presentation on Annual Report	James Lockhart	Bekelman/Maslan/ Lindeman
2:15	Deputy Executive Directors' Reports		
	A. Negotiations -- Litigation	Diane Burkley	Carol Flowe
	B. Management -- Financial Report	Douglas Cannon	Lawrence Maslan
3:15	BREAK		
3:30	Investment Subcommittee Report	John Hotchkis	Maslan/Faircloth
3:45	Regulations Subcommittee Report	Myron Mintz	Goldstein/Lindeman/ Sevin
4:00	Old Business		------------------
4:05	New Business		------------------
4:15	Executive Session/Adjournment		------------------

** ATTEND ALL SESSIONS

Meeting Number 110
The Advisory Committee of the
Pension Benefit Guaranty Corporation
Washington, D.C.
January 22, 1990

Attendees:

Advisory Committee: Eugene B. Burroughs
M. J. Mintz
Richard M. Prosten

Consultants to the Committee: Murray P. Hayutin
Ralph J. Wood, Jr.

Representative of the
Secretary of Labor: Katherine Lewis

Representative of the
Secretary of the Treasury: Patrick Garabedian

Representative of the
Secretary of Commerce: Jane W. Molloy

PBGC: James B. Lockhart, Executive Director
Diane E. Burkley, Dep. Exec. Dir.
Douglas R. Cannon, Dep. Exec. Dir.

Staff: Steven Hill
David Lindeman
Carol Connor Flowe
Lawrence Maslan
Marykay Fuller
Judith Bekelman
Joel Greenblatt

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 111

San Diego, California
Sunday, March 11, 1990

TIME	SUBJECT	PRESENTER	ATTENDEES
7:00 p.m.	Dinner: P.J. Wolf Restaurant Hyatt Regency La Jolla 3777 La Jolla Village Drive San Diego, California	Burroughs/Hayutin	-------------------
8:00 p.m.	Overview of Agenda A) Approval of minutes of Meeting Number 110. B) Appointment of Myron Mintz and Richard Prosten as consultants to the Committee. C) Resolution of Appreciation for Perry Joseph	Burroughs/Hayutin	-------------------

PENSION BENEFIT GUARANTY CORPORATION
ADVISORY COMMITTEE MEETING NUMBER 111

San Diego, California
Monday, March 12, 1990

TIME	SUBJECT	PRESENTER	ATTENDEES
8:00 a.m.	Continental Breakfast: Palmero Room Hyatt Regency La Jolla		-------------------
8:30 a.m.	Discussion: PBGC investment philosophy	James Lockhart ** Goldman Sachs Wilshire Associates	Douglas Cannon ** Lou Faircloth
12:00	Lunch: Palmero Room		
1:30 p.m.	Continue investments discussion Discussion: PBGC position on voting proxy LTV and Eastern update PBGC interest rate Shutdown benefits PBGC exposure and position on annuity liability Privatization	James Lockhart James Lockhart Murray Hayutin	Lou Faircloth ------------------- -------------------
	Discussion: Would an annual meeting with the Executive Director, Board of Directors, and Advisory Committee be beneficial to PBGC?	Murray Hayutin	-------------------
	Other Business		
	Adjournment		
7:00 p.m.	Closing Dinner: La Dolce Vita	Eugene Burroughs	-------------------

** ATTEND ALL SESSIONS

Expenses for each meeting of the Committee generally are limited to each member's compensation, travel and per-diem. The Committee has been holding one meeting per year at a location other than Washington, D.C., which involves additional travel expenses for PBGC executive management and staff participating in the meeting. The following table details the amounts of compensation and expenses for all but the March 1990 meeting. Expenses and compensation for that meeting have not been compiled or processed yet.

MEETING DATE	COMPENSATION PAID	EXPENSES
November 21, 1988	$4,208	$3,123.70
January 15-17, 1989	$4,734	$5,603.94
March 10, 1989	$3,156	$2,177.30
May 8, 1989	$3,156	$2,306.33
July 17, 1989	$3,156	$3,022.35
September 26, 1989	$3,156	$2,604.00
December 4, 1989	$3,156	$2,542.00
January 22, 1990	$2,502	$1,926.62

Mr. Stokes: C. The number of members who serve on each board, the process by which members are selected to serve, how long they serve, and when new members are to be selected.

Secretary Dole: The Advisory Committee is composed of seven members appointed by the President for three-year terms. Three of the Committee members represent the interests of the general public, two represent the interests of employers who maintain pension plans, and two represent the interests of employee organizations. No more than four can be from the same political party.

Appointments are based on recommendations made by PBGC's Board of Directors, composed of the Secretaries of Commerce and Treasury, and myself, who as Secretary of Labor is PBGC's Chairman of the Board. PBGC recommends qualified individuals to the Board, which also considers applicants who have directly contacted one of the Board members or the White House. Committee members are chosen based on their experience with employee organizations, with employers who maintain pension plans, with the administration of pension plans, or otherwise on account of outstanding demonstrated ability in related fields.

New members are selected, or outgoing members reappointed, upon the expiration of specific terms. Terms are staggered, with no more than three vacancies occurring in any one year.

GUARANTY OF ANNUITIES

Mr. Stokes: What is the PBGC's position on providing Pension Guaranty for plans that have purchased annuities from insurance companies to make payments to participants? What statutory authority supports your position?

Secretary Dole: Congress established PBGC to insure payment of benefits when a pension plan is terminated with insufficient assets to provide the benefits. We do not believe that Title IV of ERISA authorizes PBGC to use its insurance funds to guarantee annuities purchased from insurance companies by terminating sufficient plans. Default by an insurance company is not mentioned as an insurable event in the law.

Further, Congress has established premiums based solely on PBGC's exposure from insufficient plans and not on any exposure that might result from annuities purchased from insurance companies. A federal guarantee of annuities would create as much as $50 billion in additional exposure to PBGC.

In its 15-year history, PBGC has recorded no instance in which a participant or beneficiary has lost benefits because of default by an insurance company on annuities purchased upon plan termination. Private insurance companies generally are healthy and are regulated by state agencies. In 44 states, insurers are backed by state guaranty funds.

The appropriate role for the federal government is to specify and enforce standards for selection of annuity insurers. A plan administrator's selection of an insurer is a fiduciary responsibility subject to Title I of ERISA and enforced by the Department of Labor.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

Mr. Roybal: The Administration is proposing in its FY 1991 budget to reduce the Senior Community Service Employment Program (SCSEP) by approximately $14.2 million. This will mean a reduction of SCSEP positions by approximately 14%, or 9,200 positions. How does the administration justify this reduction in funding for a program that provides low income community service jobs to disadvantaged low income senior citizens? Is this reduction solely due to "budget constraints" as the administration states in its budget justification document? Don't you believe that there are other ways to achieve budget savings than by reducing a program that is so critical to this nation's disadvantaged elderly?

Secretary Dole: There are no plans to target this program for a significant reduction. The proposed 1991 reduction is due to broader constraints that impact many Federal programs. The actual funding was reduced only 4% from the 1990 level.

On a percentage basis the loss of positions is somewhat greater than the dollar loss. The increase in the Federal minimum wage makes each program position more expensive. Consequently, the proposed funding will produce 6,600 fewer slots than the 1990 level. Even with this small reduction in slots, approximately 85,000 individuals will be served by the program in FY 1991.

The Department has carefully reviewed priorities among the programs which it administers. These programs serve a wide range of groups and important public needs. It is difficult to reduce any program since all of them are designed to meet some critical national need. In terms of funding, the SCSEP cut is consistent with the limitations placed on the overall budget.

Mr. Roybal: A significant benefit of the Senior Community Service Employment Program is that it moves low-income seniors off the public assistance rolls. Won't the Administration's reduction in funding for this program only result in corresponding spending increases in public assistance programs? Can you provide an estimate of the budgetary impact on the Supplemental Security Income program, Medicaid, food stamps, and other public assistance programs, that will result due to your proposed reductions in the SCSEP?

Secretary Dole: We do not keep aggregated data on the amount and type of assistance that program participants received prior to entering the program. Indeed some forms of assistance such as food stamps and housing assistance may continue while the enrollee is in the SCSEP program. While the number of positions will be reduced, I do not think it will be necessary to lay off any SCSEP workers.

During the course of any program year there is a 40 to 50 percent turnover in enrollment which for 1991 will amount to around 25,000 people. Many of those who will leave the program will move to other employment, still others will retire permanently from the workforce. These people will not necessarily need or want additional public assistance. In any case, I do not think there will be any major impact on other forms of social assistance.

Mr. Roybal: Elderly participants of the Senior Community Service Employment Program are among the most disadvantaged individuals in our society -- in terms of economic status and educational attainment. Is it your expectation that those senior citizens that lose their community service jobs due to the Administration's proposed cuts will be able to obtain jobs in the private sector? How long, on average, do you anticipate it will take these low-income seniors to find other employment? In what specific industries do you expect these seniors to find employment?

Secretary Dole: We are not proposing that any individual will lose their SCSEP job because of the reduced spending. The reduction will be accommodated through attrition and not filling vacancies of persons who leave the program to take other jobs or who leave for other reasons. During the last program year alone, 15,000 people were placed in unsubsidized jobs out of the program. This number is substantially more than the 6,600 slot reduction anticipated from the FY 1990 slot level.

JOB TRAINING PARTNERSHIP ACT

Mr. Roybal: The three percent older worker set-aside program under Title II-A of the Job Training Partnership Act is one of the few federal job training programs specifically targeted at meeting the needs of disadvantaged older workers. The Administration has proposed legislation which would eliminate the three percent set-aside program, through amendments to the JTPA. What is the Administration's justification for elimination of this program, a program that is of vital assistance to disadvantaged older workers of this nation? Do you propose any programs to take the place of the three percent set-aside program, that is specifically targeted to older worker training?

Secretary Dole: In general, we believe that it is not sound policy for the Federal government to earmark specific JTPA set-asides for individual target groups at the State level. In the case of older workers, for example, the incidence of older worker problems varies widely from one locality to another and there are other competing target group priorities. Money that is earmarked for one group is money that is not available for serving other groups. Therefore, as recommended by the JTPA Advisory Committee, we believe the best approach is to allow local areas to set target group priorities within the eligible population rather than rank the needs of one target group against another at the national level. Further, in some areas, the existence of the 3 percent set-aside may serve as an excuse for service delivery areas not to serve older workers under the regular Title II-A program.

We are aware of the strong views of many organizations which believe we should retain the 3 percent set-aside at the State level. However, we believe that services to older workers will be enhanced, rather than diminished, by the removal of special population constraints, and will encourage localities to serve older workers in the new Title II-A program.

Mr. Roybal: The General Accounting Office in a recent report found that during programs years 1986-1988, the states expended 100 percent of the annual allocation of 3 percent funds, as well as a portion of funds carried over from prior years. Doesn't this information demonstrate that the three percent set-aside program is currently being utilized by the States and older workers?

Secretary Dole: States have improved their expenditure rates for their 3 percent older worker funds although some States still have a problem with underexpenditure of funds. Expenditures have increased annually since the beginning of JTPA, rising from 28 percent in transition year 1984 to 70 percent in program year 1988. Initial underexpenditures of the 3 percent funds resulted in large carryover balances, which contributed to the underspending problem in later years of JTPA programs.

We are not proposing to eliminate the 3 percent set-aside program based on underexpenditure of funds. Rather, we know that the incidence of older workers varies widely from one locality to another. In recognition of this, we believe that JTPA's goals of decentralized planning and customized tailoring of services to the needs of local populations of disadvantaged adults -- including older workers -- will be enhanced rather than diminished, by the removal of special population constraints.

FEDERAL OVERSIGHT OF PRIVATE PENSION SYSTEMS

Mr. Roybal: The Department of Labor's Inspector General has raised come serious concerns about the adequacy of federal oversight of this nation's private pension systems. Do you believe that federal oversight is adequate to discover and eliminate fraud, abuse and mismanagement in this nation's private pension systems?

Secretary Dole: Let me assure you, I am committed to vigilant and effective ERISA enforcement to protect the benefits of America's workers and retirees. Although we have seen no evidence of widespread fraud and abuse of benefit plans, the Department of Labor has taken the recommendations of the Inspector General very seriously.

Mr. Roybal: Do you have any recommendations for possible improvement?

Secretary Dole: Shortly after taking office, I directed the Department of Labor to undertake a comprehensive review of the Departmental enforcement efforts which addressed issues raised by the Office of Inspector General. This review addressed issues related to audit procedures, peer review for independent accountants and increased incentives for private enforcement efforts. We have concluded our review of these issues and are providing our findings and legislative proposals in detail in a letter from the Deputy Secretary, Roderick DeArment to Congressman Lantos. The results of our review can be summarized as follows:

(1) We are proposing that ERISA be amended to repeal the limited scope exemption and that a provision which enables plans and financial institutions to utilize a "single audit" approach be enacted.

(2) We are proposing that a requirement that an Independent Public Accountants (IPAs) obtain a peer review every three years be added to the statutory requirements for qualification to conduct required ERISA audits.

(3) We are not providing, at this time, a legislative proposal in regard to the expansion of audits to include compliance testing and to require the direct reporting of violations to the Department. We have instead made a joint proposal with the Office of Inspector General (OIG) to the American Institute of Certified Public Accountants (AICPA) to revise the guidelines to incorporate into its ERISA financial audits the new AICPA statements (SAS 53 and 54) relating to errors, irregularities and illegal acts. The initial response from the AICPA has not been positive. The AICPA apparently believes that the revisions to the audit guide being sought are beyond the literal requirements of these new SASs. They apparently believe that compliance issues cannot be addressed in the course of a financial audit. We agree, however, with the OIG that the voluntary adoption of compliance testing requirements by the accounting profession is the best approach to achieve our objectives. We will, therefore, continue to work with the OIG to achieve adoption of the jointly developed proposal. Any legislative proposal in the area will, therefore, be considered if

we are unable to reach an agreement with the AICPA within a reasonable amount of time.

In addition to the above, our review extended beyond the specific recommendations of the OIG to address a number of issues related to creating incentives for private actions to enforce ERISA. We are proposing legislation that would provide additional incentives for participants to exercise their private rights of action under ERISA and to strengthen the disincentives for unlawful behavior be enacted. Specifically, our proposals would: (a) require the award of expert witness and attorney fees to successful plaintiffs in private civil actions under ERISA, (b) allow the Secretary to award a portion of the civil penalties assessed for a fiduciary violation of ERISA to the individual who brought information to the Department regarding the violation, (c) increase the existing excise tax penalty and civil penalties for prohibited transactions from 5% to 10%, (d) require de novo judicial review in benefit claims cases where conflicts of interest exist, (e) require certain multiple employer trust arrangements (so-called METS and MEWAs) to file registration statements with the Department, (f) require plan fiduciaries to disclose records regarding proxy voting of stock they hold.

Additionally, the President's FY 1991 Budget Request includes a request for 100 additional enforcement positions in the Pension and Welfare Benefits Administration (PWBA) and 33 more positions in the Office of the Solicitor of Labor (SOL) dedicated to ERISA enforcement.

These initiatives should significantly enhance the federal government's ability to protect the retirement security of the participants in the private pension system at a cost which is commensurate with the benefits that will be achieved.

PENSION ASSET REVERSION

Mr. Roybal: What is the Department's current position on pension asset reversion?

Secretary Dole: We are concerned about the long term effect that many proposed restrictions on plan sponsor's ability to terminate pension plans would have on the private pension system. We believe they would depress plan funding and discourage the continued maintenance of defined benefit pension plans.

The Department has supported efforts in the past to impose appropriate restrictions on reversions, such as requiring vesting and annuitizations. However, proposals that would change the pension promise made by employers to their workforce are counterproductive.

ADEQUACY OF ASSETS

Mr. Roybal: Will the Pension Benefit Guaranty Corporation (PBGC) have enough assets in the future to meet its liabilities without an increase in premiums?

Secretary Dole: We do not foresee a need for an immediate premium increase. PBGC currently has annual premiums of over $600 million and assets of $2.5 billion available and benefit payments of only $350 million. Even if the court does not rule in PBGC's favor regarding LTV, PBGC will acquire enough assets in connection with this termination so that there will not be an immediate liquidity problem. Whether a premium increase will be needed will be largely a function of loses from future claims.

EFFECT OF LTV ON THE PBGC

Mr. Roybal: What would be the effect on the PBGC if it had to insure the pension benefits of the three LTV Corporation plans that were ended?

Secretary Dole: The PBGC would assume responsibility for about 100,000 participants of the LTV plans. About 60,000 are in active pay status. It would also add $300 million per year in benefit payments. Assuming responsibility for these plans could more than double the PBGC's deficit in addition to creating an incentive for other companies to follow LTV's example.

BIGGEST PROBLEM FACING THE PBGC

Mr. Roybal: What do you see as the biggest problem facing the PBGC and what should be done about it?

Secretary Dole: PBGC's biggest problem continues to stem from financial incentives for companies to shift liabilities to the insurance program. There are $20-30 billion of underfunded plans. If we prevail in the LTV case, that will close off one very serious avenue for shifting liabilities--namely, termination of an underfunded plan that is replaced by a new substitute plan. Other avenues for shifting liabilities include, for example, the ability of plans to deplete assets under the current law funding standards, and breaking up a controlled group to insulate some of the entities from liability. PBGC is taking a tough approach in negotiation and litigation to encourage companies to continue funding plans and preventing unwanted termination of underfunded plans.

SHORTFALL--REALLOCATION FOR WORKLOAD

Mr. Early: I have been informed that efforts are underway within the Department of Labor to redistribute existing UI operations dollars among States, using more current economic indicators. What is the status of this proposal?

Secretary Dole: As part of its decision making process on how to handle the shortfall, the Department decided that base grant allocations should be based on the best possible forecasts of FY 1990 needs. Overall, the national average weekly number of UI claims is projected to increase by 289,000, over the 2 million projected previously for 1990, a 14 percent increase. Unemployment workload is expected to rise more rapidly in some States than in others and may even fall in selected States. Thus, using the planning targets issued in June 1989 as the base for taking the 6.7 percent reduction would have resulted in unequal impact on States. Therefore, prior to taking a 6.7 percent across-the-board reduction in base grants, the Department updated workload forecasts for each State, using actual data through the end of December 1989 (planning targets were based on data through December 1988). These new allocations were announced on January 29. As a result of the reallocations, all States (with the exception of Virgin Islands) received reductions from their June planning targets ranging from 1 to 10 percent, with the range due to variations in workload among the States.

Mr. Early: What effect, if any, would this proposal have on the amount of money Massachusetts receives for UI operations?

Secretary Dole: The Department's decision to reallocate the staffyears based on updated workload projections resulted in Massachusetts receiving $1.0 million more than it would have received if the 6.7 percent across-the-board reduction had been applied to the staffyears contained in its planning targets. Massachusetts' final base grant was $1.6 million lower than its planning target. This is a 4 percent rather than 6.7 percent reduction averaged by all States. This smaller reduction was due to the increases in Massachusetts' workload, which was up 78 percent from 4th quarter 1988 to 4th quarter 1989.

JOB CORPS

Mr. Early: Due to last year's sequestration, the funding level for FY '90 for Job Corps was reduced to $802,614,000. This resulted in a reduction in the enrollment base by 884 students for FY '90. The administration's FY '91 request is $818,021,000, an increase of $15,407,000 over the FY '90 appropriations. How much of that increase will be for the operation of the two new centers? (Alabama and Kentucky)

Secretary Dole: The 1991 budget request includes $10.8 million for the operation of two new centers that will be located in Alabama and Kansas (not Kentucky).

Mr. Early: How much of this increase will be for the existing centers?

Secretary Dole: The remaining $4.6 million of the increase will be devoted to existing Job Corps centers. It should be noted, however, that the raw difference between the 1990 appropriation and the 1991 request is not completely revealing. To illustrate, the 1990 appropriation includes $13.5 million that is authorized for use in 1989, which results in an understatement of the net difference between the 1990 appropriation and the 1991 request. It is also important to break out and examine the net difference in terms of capital outlays versus operating costs. As illustrated in the following table, the net increase for operating expenses at existing centers is $30.9 million.

	1991	1990	Difference
Gross Budget.......	$818.0	$802.8	$15.2
Less Amount for Previous Year......	0.0	<13.5>	13.5
Budget This Year...	818.0	789.3	28.7
Less Amount for New Centers........	<10.8>	0.0	<10.8>
Net Budget for Existing Centers...	807.2	789.3	17.9
Capital Outlays..	36.7	49.7	<13.0>
Operating Costs..	770.5	739.6	30.9

Mr. Early: Will this increase be enough to bring the enrollment of the existing centers during FY '91 back to their pre-sequester levels?

Secretary Dole: Yes. Our 1991 budget request is premised on restoring all existing Job Corps centers to their normal slot levels, and increasing capacity by over 500 slots with the opening of 2 new centers.

Mr. Early: What amount of money would be needed to bring both the new and the old centers to their full enrollment level?

Secretary Dole: The amount requested for 1991 will provide for full enrollment.

Mr. Early: The administration is requesting $1.5 million for child care services for the Job Corps program. How would this money be used?

Secretary Dole: The $1.5 million requested in 1991 as well as the $1.5 million appropriated in 1990 will be used as seed money and is not intended to be a permanent source of financing for child care services at Job Corps centers. These funds will be used mainly to cover one-time costs for such items as equipment and remodeling. Financing for the ongoing costs of staffing and operating the childcare facilities will be sought through linkages with appropriate State and local programs.

We are confident that the funds provided in the 1990 appropriation will result in the availability of child care services at no fewer than five Job Corps centers and most likely more. The funds requested for 1991 will be used to further expand child care services to additional centers.

Mr. Early: Is this amount sufficient to make it economical for single mothers to participate in Job Corps?

Secretary Dole: The funds requested, along with the funds already available in the 1990 appropriation, will result in a significant increase in the availability of onsite child care at Job Corps centers. The availability of convenient child care services removes obstacles that make it difficult for many single mothers to participate in Job Corps.

Mr. Early: What percentage of Job Corps students are single mothers?

Secretary Dole: Approximately 20% of the young women in Job Corps have dependent children. This represents 7% of all corpsmembers.

Mr. Early: Would more women participate in Job Corps if there was more money for child care?

Secretary Dole: The availability of child care would certainly enhance our efforts to recruit young women, but this is just one of the many factors which influence our success in attracting young women into the program. These include the effectiveness of outreach efforts, our ability to overcome the higher degree of reluctance by young women to leave home and reside on center, our ability to resolve parental concerns for a safe environment, and the availability of vocational offerings that are attractive to females.

STATE UNEMPLOYMENT INSURANCE AUTOMATION

Mr. Early: $19,148,000 was appropriated in Fiscal Year (FY) 1990 for States to upgrade their automated systems for benefit payments and collection of taxes. What plans have been made for these funds?

Secretary Dole: For clarification, $19,148,000 was the amount appropriated, but due to the subsequent 1.4% sequestration, $18,882,000 was the amount available for automation funding. The ETA received 103 proposals from 44 States requesting funding for projects totaling $59,300,069. The proposals have been reviewed and the final decisions are pending. The awards will be announced as soon as the approval and notification process can be completed. The FY 1990 appropriation language provides that these funds cannot be allocated to the States before April 1, 1990.

Mr. Early: Why are no funds being requested by the Administration for FY '91?

Secretary Dole: The President's Budget includes $18,882,000 for UI automation in FY 1991, the same level as in FY 1990. However, we are not requesting funds for employment service automation in FY 1991 Congress previously appropriated $12,500,000 in FY 1990 for obligation to the States in FY 1991.

Mr. Early: What is the status of this modernization overall?

Secretary Dole: All State Unemployment Insurance agencies have at least moderate levels of automation in their UI and Tax systems. The majority of States have large mainframe computer operations that sustain and support the UI process from the central office to the local office. Many States are utilizing newer technologies to automate areas that did not previously lend themselves to the larger mainframe environment. We are seeing more specialized applications and replacement of older ADP systems rather than first time automation. Major initiatives are underway in several States to develop and redesign older more cumbersome benefit and tax systems. Automation is a major vehicle for States to continue to provide timely service to the UI claimants through the taking and paying of claims, and the timely and accurate collection of taxes.

UNEMPLOYMENT INSURANCE ADMINISTRATIVE FUNDING SHORTFALL

Mr. Dwyer: It is my understanding that the Department anticipates a $96 million shortfall in FY 1990 for Unemployment Insurance administrative funds, while others estimate the shortfall to be at least $124 million. In past years, the Department has brought forward a request for supplemental appropriations to cover any shortfall. This year, the Department announced that it will not request a supplemental; but proposes to reallocate funds from national Quality Control, recalculate existing staff year allocations, among other administrative measures. Will the Department be submitting a reprogramming request on this proposal?

Secretary Dole: First, I would like to clarify the size of the shortfall. The total shortfall is $120 million and is made up of two components: a $96 million shortfall due to increased workload projections; and $24 million reduction as part of the government-wide 1.4 percent Gramm-Rudman-Hollings cut. The $124 million estimate was the Department's preliminary estimate shared with the States in mid-December. The Department will submit a reprogramming request to move $417,000 from Quality Control national activities to help offset the shortfall. All of the other actions we have taken to shift resources do not require reprogramming.

Mr. Dwyer: If these administrative measures do not alleviate the problem, will the Department then bring a supplemental appropriations request to the Congress?

Secretary Dole: The Administration did not seek a supplemental appropriation for the UI administrative funding shortfall because of the April 1989 Bipartisan Budget Agreement between the President and the joint leadership of Congress, in which it was agreed that neither Congress nor the President would initiate requests for supplemental funding except in the case of dire emergencies. I believe we should honor this agreement. As of the end of December 1989 when the data base for the FY 1991 budget was completed, a review of the UI administrative budget indicated that, although the shortfall of resources would present real difficulties, it was not a dire emergency. The Department will continue to closely monitor the situation.

COLLABORATION WITH DEPARTMENT OF EDUCATION

Mr. Dwyer: You have announced plans to form a blue ribbon commission of businessmen, educators, and labor to develop national competency guidelines that reflect work readiness. Local schools and educators would be able to use these guidelines to "help develop relevant curricula for promotion and graduation." Does this mean that the Departments of Education and Labor will be working together to develop a "voluntary" national curricula?

Secretary Dole: Yes. We have consulted with the Department of Education on the formation of the Secretary's Commission on Achieving Necessary Skills. We certainly value their input. The Commission will be composed of business, labor and education leaders who are being asked to define what skills workers need in order to close the gap between educational achievement and workplace requirements.

The Commission will examine academic standards and curricula to assure that they meet the needs of today's workplace and develop national competency guidelines that reflect work readiness to be used as a resource at the State and local levels to aid in the development of curricula for both schools and training programs. These guidelines will be truly voluntary and we expect that they will be a significant resource to educators across the country.

STANDARD FOR BLOODBORNE PATHOGENS

Mr. Dwyer. What is the current status of OSHA's proposed standard for bloodborne pathogens?

Secretary Dole. The proposed standard was published on May 30, 1989. Public hearings were held in five cities around the country; the last hearing in San Francisco ended on January 17, 1990. The posthearing comment period will end on May 21, 1990. OSHA has conducted two surveys to determine current compliance in hospitals and nonhospital settings (e.g., nursing homes, dental offices, clinics and funeral homes). The notice of the non-hospital survey was published in the Federal Register on March 20, 1990. The results of both surveys will be available by April 13 with final public comments due by May 21, 1990. We plan to publish the final rule by January, 1991.

Mr. Dwyer. What has OSHA done to alleviate the concerns of doctors and dentists that the new requirements were unnecessary?

Secretary Dole. In general, there has been no widespread concern expressed by physicians regarding this proposal, although hospitals have expressed some concern about the paperwork resulting from this regulation. OSHA has, however, been active in responding to the extensive concerns expressed by members of the dental community. The agency has provided speakers to dental groups, has responded to questions at the public hearings, and has devoted considerable staff resources to respond to the voluminous correspondence addressing this issue. OSHA wants to ensure that all concerned parties have correct, factual information about the proposed standard and are aware of the agency's justification for each provision of the proposal.

Mr. Dwyer. What does the Department estimate that the final costs of this standard will be?

Secretary Dole. The cost of the proposal was estimated to be $850,000,000. Since the proposal was published, however, OSHA has received a considerable amount of additional information. This data has not yet been analyzed. Further, the content of the final standard has not yet been decided. As a consequence, we are not able to provide a revised estimate at this time.

PENSION SECURITY

Mr. Dwyer: Over the past decade, thousands of companies have terminated pension funds and seized more than $20 billion in surplus assets. To pay pensioners, many companies bought insurance company annuities. Unfortunately, some of these companies invested heavily in junk bonds. With the junk bond market collapsing, the safety of workers' pensions is in question. What is the Department doing to insure that the insurance company is financially sound?

Secretary Dole: The Department has consistently stated that the fiduciary provisions of ERISA, including the prudence requirement of section 404(a)(1)(B), apply to the choice of an insurer to issue annuities upon plan termination.

Mr. Dwyer: Are there any financial or other type of requirement that an insurance company must meet before they can sell pension annuities?

Secretary Dole: Accordingly, the plan administrator selecting the insurer must take into consideration all of the relevant facts and circumstances in a particular case, including the overall economic health of the insurer, and its ability to provide the benefits required under the contract over the life of the contract. This is consistent with ERISA's prudence requirement.

INSURANCE COMPANY BANKRUPTCY

Mr. Dwyer: C. What will the Pension Benefit Guaranty Corporation do if these insurance companies file for bankruptcy?

Secretary Dole: Insurance companies do not go through a bankruptcy process. The state insurance regulators place them in rehabilitation or liquidation. It is their responsibility supplemented by state guaranty funds to ensure that policy holders receive their payments. In its 15 year history PBGC is not aware of any annuitant that did not receive a benefit due to an insurance company insolvency.

JOB CORPS

Mr. Hoyer: About 53,000 severely disadvantaged youth will complete the program, and about 78% will move on to jobs, the military or to further their education.

Is there a reduction in the number of slots for Program Year 1990 and, if so, why?

Secretary Dole: As a result of the $10.4 million sequestration that was applied to the Job Corps operating account during the budget reconciliation process, it will not be possible to maintain enrollments at the established base level of 40,544 slots in program year 1990. To absorb this funding shortfall, we are implementing temporary slot reductions at selected Job Corps centers. In Program Year 1990 the slot level will average about 39,660 students, which is 884 below the recent levels.

Mr. Hoyer: How will the Department proceed if the 10% cap on nonresidential slots for Job Corps in the JTPA authorization is changed?

Secretary Dole: Consistent with our proposed JTPA amendments, the Department's budget request for last year included a proposal to convert 4,000 existing residential slots to nonresidential status. Our 1991 request assumes the conversion of 800 slots to nonresidential status. We believe that additional nonresidential slots would make Job Corps more accessible to young women, especially those with dependent children. However, any slot conversions will be undertaken only after careful study, including an examination of the outcomes of the Job Corps II nonresidential pilot centers.

Mr. Hoyer: Haven't inflation rates for Job Corps been over the OMB estimates, and aren't teacher and staff salaries below market rates?

Secretary Dole: Over the past few years Job Corps operating costs have been increasing at rates higher than the inflation rates contained in the Administration's economic assumptions. As a result, our recent budget requests have included above inflation increases. The second part of your question points to the chief reason for these above inflation increases, which is the need to implement salary adjustments at many of Job Corps contract centers to insure that they can compete for qualified staff in their respective local labor markets. We have been stressing the need for adequate staff salary structures as new competitive contracts for managing Job Corps centers are issued. Our 1991 request contains sufficient funds to ensure salary structures that will attract and retain competent teachers, counselors, residential advisors, nurses, recreation personnel and administrative and support staff.

Mr. Hoyer: How much of the overall program increases for Job Corps are financed with internal program cuts?

Secretary Dole: The 1991 request includes $10.8 million to operate the first two of the six new Job Corps centers. The request also includes a new program enhancement of $3.3 million to extend student drug testing and treatment activities from 20 pilot sites to all 109 Job Corps centers. These program increases will be partially offset by minor discretionary cost containments and anticipated savings from Job Corps linkages with other JTPA activities ($4.6 million) and from the conversion of about 800 residential slots to nonresidential status ($1.6 million).

YOUTH OPPORTUNITIES UNLIMITED PROGRAM

Mr. Hoyer: The request includes a new program funded at a level of $50M for the Youth Opportunities Unlimited program which targets assistance on youth living in high poverty areas. Can you describe how the YOU Program will serve youth in communities in comparison to other Department programs in terms of participant services and eligibility--how will the YOU program be coordinated with other programs?

Secretary Dole: The YOU program will concentrate its resources into small geographic areas with populations of 25,000 or less. In addition, under the Administration's proposed legislation, the participating community would match the federal grant by contributing an amount equal to 100 percent of the federal grant each year. The program will be targeted on inner-city and rural areas with poverty populations of 30 percent or higher. Such areas constitute the core of inner-city ghettos and represent the most severe instances of rural poverty located in the rural South, along the Rio Grande, in Appalachia, and on Indian reservations.

The YOU program differs from other DOL programs in its emphasis on serving communities rather than individuals. Thus, while JTPA Title II-A resources are spread across the U.S. and eligibility depends on the poverty status of the individual, the YOU program will be targeted on high-poverty communities and eligibility will depend on residence in the target community. Eligibility based on residence will greatly facilitate the development of community-wide programs within target sites and increase the likelihood of coordination with schools and other programs.

The community emphasis of the YOU program will allow us to concentrate resources to provide intensive positive interventions almost to the point of saturating target areas. Typically, JTPA Title II-A only has sufficient resources to serve fewer than 10 percent of the eligible population. The YOU program will attempt to affect virtually every youth in the target community in one or more ways--although, of course, the target areas served by YOU will be vastly smaller than the nationwide focus of Title II-A. We believe the concentration of resources planned in YOU is necessary to make a fundamental difference in the high-poverty communities we plan to serve.

The YOU program will also differ from the JTPA Title II-A program in its emphasis on intensive program models that have been operated successfully in other localities, and on the extent of coordination with other public and private efforts. We do not see the YOU program as simply a job training program, but rather a community-wide set of human resource initiatives that include school reorganization, child development programs, greatly expanded recreation and cultural programs for youth, college Upward Bound programs, anti-drug and public health initiatives, and private-sector job placement efforts. We plan to build such coordination into the program by having cities and rural States compete for awards, and making public and private commitments for complementary programs as one primary criteria for award.

Mr. Hoyer: About $3 million was transferred from pilots and demonstrations for the "YOU" program--what will be the impact on pilots and demonstrations?

Secretary Dole: In PY 1991, responsibility for financing this program will be transferred from Pilots and Demonstrations to the new YOU program. As a result, resources requested for Pilots and Demonstrations is reduced by $2.7 million, or the amount the Department planned to spend for YOU demonstrations in 1991 in the absence of the new $50 million program. The $2.7 million transfer accounts for virtually the entire difference between the 1991 request and the 1990 budget for Pilots and Demonstrations. No continuing pilots or demonstrations will be affected by the transfer of financing.

JTPA

Mr. Hoyer: The justification indicates that approximately 5,600 new enrollees will participate in JTPA in PY '91, and that 61% of enrollees will enter employment upon termination. Do we have any information on how many of these individuals have found employment or remain employed after one year?

Secretary Dole: We expect that 514,000 or 61 percent of the 844,300 participants who will terminate from Title II-A training activities during PY 1991, will enter employment. Our reporting system collects data on participants 13 weeks after termination from the program in an attempt to determine whether placements are leading to long-term employment. For the most recent reporting period, which ended June 30, 1989, the data show:

o Of the entire number of adult terminees in Title II-A, 71 percent were placed in unsubsidized employment.

o When contacted 13 weeks after their participation in the program had ended, 63 percent of the entire number of adult Title II-A terminees were still employed.

In addition, the Department is conducting a major national study, employing random assignment to participant and non-participant groups in 16 of our Service Delivery Areas nationwide, to determine the long-term, net impact of the program on employment, earnings, and welfare dependency. The study began in 1985, and we expect to receive the first analytical report in 1991. As soon as they are available, we will share the report's findings with the Committee.

Mr. Hoyer: Is it the case that under the request for both the current and the newly authorized programs, the only increase in adult participation in JTPA is attributable to productivity savings?

Secretary Dole: We do not anticipate any increased adult participation in JTPA under the current or proposed programs. In drafting our proposal to amend JTPA, one of our objectives was the design of a program which would most effectively use the limited resources available for those with the most serious needs who can benefit the most from what JTPA has to offer. The additional eligibility requirements ensure that only those truly in need will be served by the program. The program design changes will require more intensive and comprehensive services and longer lengths of stay in the program. These proposed changes will be costly and will allow fewer individuals to be helped. It should also be noted that adult participation in JTPA will substantially increase beginning in PY 1990 due to the large increase for EDWAA, the worker readjustment program authorized by Title III.

DISLOCATED WORKERS

Mr. Hoyer: What is the precise budget impact and the impact on individuals of the proposed repeal of the Trade Act training and benefit provisions ($230 million)?

Secretary Dole: The budget request under proposed legislation to repeal Trade Adjustment Assistance (TAA) provisions calls for a reduction of $119 million in benefits and $71 million in training funds in Fiscal Year 1991. Forty million dollars would be retained for phaseout of benefit payments to those workers collecting benefits at the end of Fiscal Year 1990. All workers eligible for TAA services under the Trade Act will be eligible for adjustment assistance services, including training, under the JTPA Economic Dislocation and Worker Adjustment Assistance program.

Mr. Hoyer: What about the proposals for the economic dislocation and worker adjustments assistance changes?

Secretary Dole: Beginning in 1991, resources previously provided in the Training and Employment Services account for dislocated workers under Title III of JTPA are being requested in the new Worker Readjustment account. This new account is being established to separately account for funding of programs for workers who have been dislocated but may not be economically disadvantaged. During Program Year 1991, the requested level of $400 million, which is consistent with last year's request but a decrease of $63.6 million from the 1990 appropriation, will serve an estimated 252,500 new participants.

Upon enactment of the proposed legislation the Department will propose that remaining funds for all dislocated worker programs be included in this new account. This includes funds for the payout of TAA benefits in 1991 and benefits under the Redwood National Park Amendments of 1987.

OCCUPATIONAL WAGE DATA

Mr. Hoyer: Does the Department have any on-going effort to help provide information or technical assistance to private sector employers who are interested in wage comparability issues relating to their employees?

Secretary Dole: The Department of Labor does not have a formal assistance effort but technical assistance is provided to private sector employers. The Bureau of Labor Statistics provides occupational wage and benefit data to employers from the National White-Collar Wage and Benefit Program, the Industry Wage Studies Program, and the Area Wage Program.

Respondents participating in these surveys are provided copies of the bulletins and press releases. In addition, occupational wage and benefit data are provided upon request from representatives of the business and labor communities for use in evaluating their local labor market situations, from State and local government policy officials, and from academicians.

PLANT CLOSINGS

Mr. Hoyer: Does the Department have any information on the implementation of the plant closings legislation that was recently enacted, especially any data on compliance rates of different size businesses as well as any estimates of the costs associated with compliance?

Secretary Dole: As you are aware, the Department has no oversight or enforcement authority under the Worker Adjustment and Retraining Notification Act, or WARN as it is more commonly known. Therefore, we do not collect information on WARN implementation, and cannot determine compliance or the cost of compliance. As part of our oversight of EDWAA, however, we collect information regarding the number of WARN notices submitted to States. You may be interested to know that for the six month period ending December 31, 1989, the designated dislocated worker units in the 50 States, the District of Columbia and Puerto Rico received 1,384 WARN notices.

STATUS OF ESAA ACCOUNT

Mr. Pursell: The Department of Labor recently announced a $100 million reduction in funding in the administrative account for the unemployment insurance system.

Michigan will suffer a $6 million, or 7.2 percent, reduction (a higher-percentage reduction than the U.S. as a whole). Michigan can ill-afford to handle the $6 million loss--unemployment in the State is presently about 8.5 percent, and the Michigan Employment Service is processing tens of thousands more claims per month than what DOL had anticipated last year. Unemployed workers are waiting in line for up to five hours to file their claims.

The Michigan Employment Service has closed 51 offices since 1980 and has reduced staffing levels during this time from 6,200 to approximately 2,300.

DOL has made reductions in FY 90 funding, yet I understand that there is over $1.8 billion in the Employment Security Administrative Account. Is it correct that this account will soon reach its authorized ceiling, and that any excess money collected will be sent to other DOL accounts?

Secretary Dole: By law, the Employment Security Administration Account in the Unemployment Trust Fund is allowed to carry over from one fiscal year to the next a balance equal to forty percent of the total amount appropriated from the account for the fiscal year just completed. This is so the account will have adequate cash to finance administrative costs until the big inflow of tax receipts in the spring of each year. For FY 1990, this statutory ceiling is approximately $1.1 billion. The amount by which the balance exceeds that ceiling on September 30 is transferred into either the Extended Unemployment Compensation Account, which funds the Federal share of extended UI benefits, or the Federal Unemployment Account, which makes loans to insolvent State unemployment funds. A transfer of $25 million occurred at the end of FY 1989. Another is expected to occur at the end of this fiscal year. The ESAA balance as of December 31, 1989 is $626.9 million.

UNEMPLOYMENT INSURANCE ADMINISTRATIVE ACCOUNT

Mr. Pursell: Has your office been contacted by very many States regarding the FY 90 reductions? What has the impact been to date?

Secretary Dole: To date, the Department has received approximately 100 letters about the shortfall. These letters have come from a broad spectrum of people--Congress, Governors, State Employment Security Agency heads, employers, State employees, and claimants. Based on the information we have received, States are taking various cost cutting actions to live within their reduced Federal allocations. These actions include:

- o Supplementing their UI programs with non-Federal funds,
- o Layoffs of temporary employees,
- o Staff furloughs,
- o Permanent staff reductions,
- o Curtailing equipment purchases and travel,
- o Shifting UI staff from non-claims activities (e.g., tax and integrity) to claims functions, and
- o Closing local offices, primarily satellite and itinerant offices.

Mr. Pursell: Would you support a supplemental appropriation for FY 90?

Secretary Dole: The Administration did not seek a supplemental appropriation for the UI administrative funding shortfall because of the April 1989 Bipartisan Budget Agreement between the President and the joint leadership of Congress, in which it was agreed that neither Congress nor the President would initiate requests for supplemental funding except in the case of dire emergencies. I believe we should honor this agreement. As of the end of December 1989 when the data base for the FY 1991 budget was completed, a review of the UI administrative budget indicated that, although the shortfall of resources would present real difficulties, it was not a dire emergency. If Congress were to pass a supplemental appropriation I would evaluate it fairly and objectively and make my recommendation to the President that I felt best met the needs of the program based on the conditions that exist at that time. The Department will continue to closely monitor the situation and will keep the Committee informed.

UNEMPLOYMENT INSURANCE ADMINISTRATIVE ACCOUNT

Mr. Pursell: What is the proposed FY '91 funding for the Employment Security Administrative Account?

Secretary Dole: We are proposing $1,930,400,000 be appropriated from the ESAA for State UI administrative expenses for FY 1991, an increase of $228,925,000 over the FY 1990 appropriation.

EMPLOYMENT AND TRAINING

Mr. Pursell: The President has requested $5.3 billion for Employment and Training, with an increase of $318 million for job training. The President is also proposing changes to the Job Training Partnership Act. Have these proposed changes been presented to Congress?

Secretary Dole: Yes, the Administration's proposed JTPA amendments were formally transmitted to the Congress on June 29, 1989. That same day I appeared before the House Committee on Education and Labor to discuss our proposals. Congressman Hawkins has introduced his version of these amendments to the House, and Senator Simon has submitted another version to the Senate.

Mr. Pursell: What will the changes in the JTPA consist of?

Secretary Dole: Our bill is the product of a long and fruitful public dialogue. I personally worked to develop the JTPA amendments - in a joint bipartisan effort - to address the issues of a quality JTPA program, and I am extremely pleased with the broad support they have received.

The proposed changes to JTPA are based on five key principles:

- o Maintaining the successful cornerstones of JTPA.
- o Improving targeting to those most in need.
- o Achieving a comprehensive, coordinated human resource policy.
- o Enhancing program quality.
- o Increased accountability.

Let me describe the new adult and youth programs --

Title IIA Adult Program: Training programs for adults financed by the Block Grant will be replaced by a new adult grant program. To improve targeting to severely disadvantaged adults, at least one-half of participants in the new program must face one or more barriers to employment in addition to economic disadvantagement. In addition, the new program will offer enhanced, intensive training and employment services.

Title IIB Youth Program. The bill replaces previous youth efforts under the Block Grant and Summer programs with a new year round youth program. We have requested more than $1.7 billion, including a $253 million increase, for this new State grant program. Some of the key changes are:

- o A new formula targeting funds to those geographic areas with higher numbers of economically disadvantaged.
- o Revised eligibility requirements. Today's program requires that youth be only economically disadvantaged. Under our bill, all youth must also face additional barriers to employment, such as skills deficiency, teenage parenting, homelessness and drop-out prone due to a poor school record.
- o Enhanced program quality. All participants must be assessed to determine the specific services they want and need, and an individual service strategy must be designed. More intensive services will be offered with increased emphasis on the acquisition of basic skills, such as literacy and remediation. Follow-up assistance will be permitted for a year after a participant enters the labor market.

State Linkage and Coordination Program. Better coordination of programs for the disadvantaged, including youth, will occur through the development of coherent human resource policies at the

State level. This program of incentive grants goes beyond the rhetoric of the past by providing financial inducements to develop better coordinated approaches to serve the disadvantaged.

Youth Opportunities Unlimited program. We have requested $50 million for a major new program of challenge grants to stimulate community-wide action targeted on youth in our country's most problem-ridden inner city neighborhoods and rural areas. We estimate at least 24 challenge grants will be awarded in the first year.

These new programs, along with the other major changes proposed, will make JTPA an even better program and will provide very needed opportunities for our youth to obtain desperately needed basic skills training, such as literacy and remedial education, as well as job training.

Mr. Pursell: Funding for job training has traditionally made job training services available only to those who are unemployed. Does the Department have any plans to provide assistance for workers who are presently employed, but who are in need of training to keep up with technological advances in their industries?

Secretary Dole: DOL's seven-point program for improving the quality of the American workforce includes activities that will enhance the skills of existing workers. DOL recognizes the fact that two-thirds of the employees who will be working in the year 2000 are already at work today. The consequences of this point are clear. Continued training and retraining of the existing workforce is essential if American workers are to have the job skills needed during the next decade.

DOL currently has underway a series of demonstration projects involving public/private partnerships. The purpose of these projects is to expand the quality and extent of employer training and to test models for work-based training programs. Several of the projects focus on career upgrading and retraining existing workers.

LABOR MARKET

Mr. Pursell: During the past several years, Congress has received more and more testimony regarding a labor shortage in this country, a problem that appears to be with us in certain respects today, that is, in certain fields and in certain markets, and one that, by all accounts, will be a major factor in our nation's ability to compete in a world economy 10 or 20 years from now.

How significant is this problem, and what measures is the Department taking to address today's needs and tomorrow's needs?

Secretary Dole: A shortage of labor in the United States, as in any market economy, is determined by the interaction of the supply of qualified persons who are willing to work for the prevailing compensation offers and the demand by employers who require workers with particular skills and offer specific compensation packages together with other conditions of employment. As the supply of workers tightens, employers may offer higher compensation and/or more attractive working conditions. Under these conditions, more people may enter the labor force and some of those already in the labor force may move to a new more attractive occupation. On the other hand, increased labor costs may cause some employers to cut back on their demand for those workers, perhaps by switching to a production process that is less labor intensive. The extent and speed to which these developments occur depends upon many factors. Before we can define a labor shortage and estimate its duration, therefore, we would have to draw conclusions about the particular responses of employers and workers to changes in prevailing conditions.

A report on the issue of labor shortages was prepared for the Department in recent years. Currently, two feasibility studies are being conducted to analyze ways to utilize labor market information to determine labor shortages and surpluses. The Department is committed to exploring and stimulating broad public debate about this complex issue.

Mr. Pursell: Many experts say the root of the problem is our schools, and not demanding enough from our students. If so, do you think this is a problem throughout our education system, beginning in the early years, or do you see it more of a problem in the secondary and post-secondary areas?

Secretary Dole: I don't think there is any question that we need to be concerned with the quality of education from very early on in a child's life. We have seen the positive impact of a program like Head Start which deals with pre-schoolers. Early childhood education provides the foundation from which we build.

Overall we need to increase our expectations for educating our children from elementary school through high school. The surest way to empower our young people to be self sufficient, responsible adults is to give them the quality education and training they need to qualify for employment. It is essential that every young person in America be equipped with the skills to be successful in either further education or the job market. This must be one of our highest domestic policy priorities.

A significant portion of my workforce agenda addresses how we can better prepare students for work. This includes the establishment of the commission charged with developing national competency guidelines that can be used by our schools, and we will start our school-to-work initiative by holding a major conference that will look at how we can restructure and improve the linkage.

EASTERN AIRLINE BANKRUPTCY

Mr. Porter: Would you please bring me up to date on the Eastern bankruptcy proceedings? What has been the Department's role in the Eastern bankruptcy?

Secretary Dole: Eastern filed its reorganization proceedings on March 9, 1989. Originally, the company stated that it expected to satisfy the claims of all its creditors in full. Its financial results have not been what it expected over the past year, however, and in January of this year, Eastern presented a plan of reorganization proposing to pay its creditors with a 40% equity interest in the company.

This proposed plan of reorganization caused PBGC great concern. Eastern's pension plans are underfunded by approximately $1 billion, and under ERISA, all of the members of Eastern's controlled group, which includes Texas Air and Continental Airlines, are liable for that pension underfunding. The proposed plan of reorganization, however, would have broken up the controlled group, because Texas Air's ownership of Eastern would have dropped below an 80% controlling interest. That would have left only Eastern to support the plans.

PBGC had several meetings with the management of Eastern and Texas Air, as well as representatives of Eastern's unions and its creditors committee, to express the agency's concern. Jim Lockhart, PBGC's Executive Director, sent a letter to Mr. Lorenzo informing him that the PBGC was seriously examining the possibility of terminating the plans in view of the possible breakup of the controlled group and Eastern's financial condition.

Eastern now has a modified proposal that does not break up the controlled group. Under this proposal, which has been tentatively accepted by the creditors committee, Eastern's creditors will receive approximately 50 cents for every dollar they are owed in cash and in secured noted that are guaranteed by Continental. Eastern has also indicated that its plan of reorganization will provide for payment of the approximately $160 million in contributions that will be due its pension plans in 1990. Although PBGC has not completed its analysis of the proposal, at this time the agency does not anticipate opposing the plan of reorganization because it does not involve a breakup of the controlled group. PBGC will continue to monitor the situation in case any further action is required.

Mr. Porter: What is the potential exposure for the PBGC, and how does the recent report by the bankruptcy court examiner affect PBGC's obligations?

Secretary Dole: The Eastern plans are underfunded by about $1 million. PBGC's loss would depend on recoveries from Eastern and members of its controlled group. The recent report by the bankruptcy examiner has no effect on PBGC's obligations, and is inlikely to have any significant impact on the amount of the agency's recoveries if the plans were to terminate.

TUESDAY, MARCH 6, 1990.

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

WORKER READJUSTMENT

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

PROGRAM ADMINISTRATION

WITNESSES

ROBERTS T. JONES, ASSISTANT SECRETARY OF LABOR

DOLORES BATTLE, ADMINISTRATOR, OFFICE OF JOB TRAINING PROGRAMS

PETER E. RELL, DIRECTOR, OFFICE OF JOB CORPS

RAYMOND J. UHALDE, ADMINISTRATOR, OFFICE OF STRATEGIC PLANNING AND POLICY DEVELOPMENT

DAVID O. WILLIAMS, DEPUTY ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING ADMINISTRATION

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. The committee will come to order. Mr. Jones, before giving us your statement, tell us who you have with you there at the table, please.

Mr. JONES. Thank you, Mr. Natcher. We have David Williams, Deputy Assistant Secretary and Dolores Battle, Administrator of the Job Training Programs. On my left is Ray Uhalde, Administrator of the Office of Strategic Planning Policy Development and Mr. Pete Rell of the Job Corps program. We also have Jim McMullen, Director of the Department's Office of Budget.

Mr. NATCHER. We are delighted to have all of you with us. We will place your statement in the record at this time.

[The information follows:]

Statement by Roberts T. Jones
Assistant Secretary of Labor for Employment and Training
House Appropriations Subcommittee
Fiscal Year 1991 Budget Request
Employment and Training Administration
Training and Employment Services
Worker Readjustment
Community Service Employment for Older Americans
and
Program Administration

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to appear here today.

JTPA Amendments

I realize the budget justification before you is based on current JTPA legislation. However, I believe there is a general consensus between the Congress and the Administration that JTPA will be amended some time this year. When the proposed legislation is enacted, the President will submit an amended 1991 budget requesting an additional $317,141,000. This will raise the 1991 request for the Training and Employment Services account to $3.8 billion from the $3.5 billion requested under current legislation. I hope that this additional request, which must await enactment of these Amendments, will be considered by the Committee when making spending decisions. Let me briefly outline the amendments and the additional request before I describe the request under current legislation.

The proposed JTPA amendments have received broad support both in and out of Congress and are based on five key principles:

- Maintaining the successful cornerstones of JTPA;
- Improving targeting to those most in need;
- Achieving a comprehensive, coordinated human resource policy;
- Enhancing program quality; and
- Increasing accountability.

In accordance with these principles, the JTPA amendments would replace the existing Title II-A Block Grant and Title II-B Summer Youth programs with separate block grant programs assisting adults and youth. These new programs, which would be aimed at those economically disadvantaged individuals with particularly severe barriers to employment, will enhance program quality by providing more intensive and comprehensive services to participants. Upon enactment, the 1991 request proposes to maintain the 1990 realigned level of $965.5 million for the new adult job training grants program and to increase the new youth job training grants from $1.5 billion to $1.7 billion, or an increase of $252.6 million over the 1990 realigned level. These programs are expected to serve 370,000 adults and 683,000 at-risk youth in 1991.

In conjunction with the new youth program, $50 million will be requested for Youth Opportunities Unlimited (YOU), a major new program of challenge grants to stimulate community-wide action targeted to youth in our country's most problem-ridden inner city neighborhoods and rural areas. We anticipate that at least 24 communities would be awarded grants to provide comprehensive services to an estimated 33,700 youth.

The amended request for the new youth grants will also generate an increase of $14.5 million beyond what is presently requested in 1991 to meet the statutory requirements for the Native Americans, the Migrant and Seasonal Farmworkers, and the Veterans programs.

I look forward to continuing to work with the Congress to assure the speedy passage of this important legislation.

Current Legislation

Under current legislation, the 1991 budget request is comprised of $3.5 billion for Training and Employment Services, $400 million for the new Worker Readjustment account, $343 million for Community Service Employment for Older Americans, and $121 million for the Program Administration account which covers the staffing and related expenses of the Employment and Training Administration.

Training and Employment Services

The 1991 request for the JTPA Block Grant under current legislation is $1.745 billion, the same as the 1990 amount. This would provide services under the current program to an estimated 849,900 new participants, which is the same level expected to be served in 1990.

The 1991 request for the Summer Youth Employment and Training Program, which would operate during the summer of 1992, is $699.8 million, the same as the 1990 amount. It would provide summer jobs to an estimated 625,000 participants, or about the same number expected to be assisted by the 1990 appropriation.

For the Job Corps, the budget requests $818 million in 1991. The request will allow the current average enrollment level of 40,544 to be increased by 569 slots to 41,113 as two new centers located in Manhattan, Kansas and Gadsden, Alabama become operational in that year. An additional four centers are planned, two of which will open in 1992, with the remaining two set to open in 1993. Also included are increases of $3.3 million for expanded substance abuse intervention at all Job Corps centers and $1 million to correct environmental concerns identified with the assistance of the Environmental Protection Agency. Also reflected are savings of $6.2 million--$1.6 million related to conversion of an estimated 800 residential slots to nonresidential and $4.6 million related principally to increased coordination and linkages with other JTPA and human resource programs.

The request for other nationally administered JTPA programs such as those for Native Americans and for Migrants and Seasonal

Farmworkers is $190.3 million. Funding for Migrants, Native Americans and Veterans is requested at the statutorily-authorized levels. Several national activities will experience minor decreases due to budgetary constraints. Pilots and Demonstrations will be decreased $2.7 million with current YOU demonstration funding assumed by the proposed new YOU program. Research and Evaluation financed by this account will be decreased $2.5 million, returning funding to approximately the 1989 level. An increase is proposed for research to carry out other Secretarial objectives in the Departmental Management account. No separately identified funding is requested for Rural Concentrated Employment Programs or American Samoans, because these geographic areas and population segments can and will continue to be served locally under JTPA. Under the Stewart B. McKinney Act, we are requesting a total of $13 million for assistance to the homeless in 1991. The $13 million includes $1.5 million that was included in the 1990 appropriation for use in 1991 and an additional $11.5 for which the Administration will propose the necessary authorizing legislation to extend this program through 1991.

Worker Readjustment

Beginning in 1991, resources previously provided in the Training and Employment Services account for dislocated workers under Title III of JTPA are being requested in the new Worker Readjustment account. This new account is being established to separately account for funding of programs for workers who have been dislocated but may not be economically disadvantaged. During Program Year 1991, the requested level of $400 million, which is consistent with last year's request but a decrease of $63.6 million from the 1990 appropriation, will assist an estimated 252,500 new participants.

To eliminate duplication in worker readjustment programs, legislation will be proposed to repeal training and benefits under the Trade Adjustment Assistance (TAA) program. Currently TAA is funded from the Federal Unemployment Benefits and Allowances account. Upon enactment of the proposed legislation the Department will propose that all remaining funds for dislocated worker programs, including funds for the payout of TAA benefits in 1991 to those receiving payments during the week including September 30, 1990, be included in this new account. This also includes benefits under the Redwood National Park Amendments of 1987.

Community Service Employment For Older Americans

The request for the Community Service Employment for Older Americans Program is $342.8 million, a decrease of $14.2 million from 1990, and will finance an estimated 56,600 jobs.

Program Administration

The 1991 request for ETA's Federal administrative requirements provides for 1,693 full-time equivalent (FTE) staff and $121 million, a reduction of 32 FTE and an increase of $3 million from the 1990 revised estimate level. These FTE reductions, necessitated by overall budget constraints for Fiscal Year 1991, will result in fewer oversight and technical assistance visits to program recipients, delays in completing presently planned projects, and reduced ADP purchases. ETA plans to invest increasing effort in workload planning and resource allocation to ensure that staff and other resources are used in the most efficient manner possible to minimize the consequences of these reductions. Also reflected are adjustments between activities to accommodate a recent reorganization which accompanied the establishment of the new Office of Work-Based Learning.

This concludes my statement, Mr. Chairman. My staff and I will be glad to answer any questions you or members of the Subcommittee may have.

Mr. NATCHER. Mr. Jones, how long have you been the assistant secretary?

Mr. JONES. About two years.

ORGANIZATIONAL CHANGES

Mr. NATCHER. Have you made any significant organizational or management changes since taking over the agency?

Mr. JONES. Yes, sir. We have reorganized recently. To reflect the growing amount of activity in relation to this new issue of workplace training and work-based training that is taking place in business and in unions across the country, we have taken apprenticeship programs, the new worker readjustment programs along with an additional policy staff and have created a new office that will continue to work not just with programs for the disadvantaged but also with the on-going training interests.

PERSONNEL

Mr. NATCHER. How many employees are currently in the agency?

Mr. JONES. 1734.

Mr. NATCHER. Have you done much in the way of new hiring in the entry grade levels in recent years?

Mr. JONES. Yes, sir, we have continued to hire at the entry grade levels, not in large numbers but on an on-going basis to maintain that level.

Mr. NATCHER. How much employee turnover do you have in the agency in the average year?

Mr. JONES. About 14 or 15 percent.

JTPA AMENDMENTS

Mr. NATCHER. The President's Budget reflects a proposed later transmittal for 1991 of $317,141,000 for the Job Training Partnership Act. This would be after enactment of the proposed legislation. Tell us what you have in mind with this proposed legislation, and further, what changes would you make in current programs?

Mr. JONES. Yes, Mr. Chairman. The legislation is currently before the House and Senate. The Senate committee has marked it up. It will move to the Senate Floor this month, as we understand it.

Chairman Hawkins in the House has agreed to take full committee action following the Easter recess. We expect the action to move fairly quickly in both Houses. That legislation is based on a report that was done by a national advisory committee on the entire JTPA system. It is based on several major principles.

One is answering to the creaming issue. It targets resources both through formula changes and the eligibility criteria change to those that are most in need. That definition includes those who are skill deficient in and out of the school systems. Secondly, the legislation is designed to assure that all the people in the program are assessed. And thirdly, it insures that the assessed needs are in fact being met with a program strategy that makes sense.

The requirements of that strategy are spelled out in the legislation. We have again focused on performance standards and on the basic parts of JTPA that have been successful up to this point. In each case these amendments address some of the national criticisms and continue to focus on increased achievement in an environment in which each of those people can get jobs. Most of those basic principles have been supported quite strongly in both the Senate and the House at this point.

Mr. NATCHER. When do you assume that the legislation would be enacted?

Mr. JONES. If that schedule is maintained, it will be enacted during this session of Congress, probably in the fall.

Mr. NATCHER. To what extent are you planning to change the statutory allocation formulas in JTPA?

Mr. JONES. There are formula changes, Mr. Chairman, for the system. JTPA formulas and those of the prior program, CETA, for years have been based largely on unemployment. We are moving toward a period in which eligibility and targeting is based on disadvantaged status combined with skill deficiencies. So the proposal reflects formula changes to direct funds where the disadvantaged population lives and not just where unemployment is occurring.

JTPA OVERSIGHT

Mr. NATCHER. How does the department go about monitoring the operation at the state and local levels? How much oversight do you provide?

Mr. JONES. There are two types of oversight. One is that the states under JTPA are all required to monitor and oversee the operations of the service delivery level in private industry councils and also that they are all to be audited on a regularly occurring basis.

Secondly, however, the federal staff of ETA at our regional offices conduct monitoring visits on a regularly occurring basis. Our training systems are monitored by the Department with reports back to them, as well as by the IG or anyone else who might have an interest in it.

We also have a separate program working with them not in a monitoring sense, but in a technical assistance sense, to try to correct the problems that we find. Lastly, as you know, we have an on-going relationship with the Inspector General where we identify different aspects of the program and take an across the board look at how those parts are working. It is not just the monitoring of the grantee.

It is the monitoring of the issues in the system.

Mr. NATCHER. Are you satisfied that the department is providing adequate oversight of the several billion dollars spent under the JTPA each year?

Mr. JONES. I think that we probably have adequate resources. We are not satisfied that we have spent them on the right issues. We have been engaged in refocusing that discussion with the Inspector General and a number of other people.

Sometimes the Federal Government tends to get too much involved in check lists, looking at whether all the parts and pieces are in place, and not on the quality. Of late we are switching our monitoring efforts more to examining the basic policy issues that the Congress must deal with and making sure that they are there in place in a way that makes some kind of sense.

I think that will improve things dramatically.

JOB CORPS

Mr. **Natcher**. Mr. Jones, I want you and Mr. Rell and all the rest of you to know that on this committee we appreciate your suggestions and your recommendations concerning the Job Corps centers. As I recall, in your budget request you are about where you were last year, is that about right, in that neighborhood?

Mr. **Jones**. We are a little bit ahead because two of the new centers will come on line in the 1991 budget.

Mr. **Natcher**. We discussed those briefly this morning. I recall not too long ago, Mr. Jones, when we had this program winding down. They wanted to absolutely phase it out.

In the Job Corps centers we are saving boys and girls. We are teaching them how to live, how to get into the mainstream and get jobs. I am glad this time, Mr. Jones, that you and Mr. Rell and all of you are presenting your budget requests and have done better by Job Corps centers.

You are over on our side now. We want you to stay there.

Mr. Conte, I want to yield to you.

Mr. **Conte**. I don't have a Job Corps Center. I wish I did. It is good to have you before the subcommittee, Mr. Jones, to talk about the 1991 budget. In addition to all the great things that you want to do within the Employment and Training Administration in 1991, I understand next year marks your 20th anniversary in the department.

In honor of that occasion, do you have any special training or employment programs that you plan to introduce?

Mr. **Jones**. I am sure I cannot be that old.

Mr. **Conte**. I recently read a letter to my staff that I received from a lady in North Carolina. She used to live in my district. She said, "Thank you, Congressman Conte, for your wonderful letter on my 86th birthday." She said, "I remember growing up with you and what a great time we had together."

JTPA AMENDMENTS

Speaking of introducing programs, let's talk about JTPA amendments some more. While your budget proposal is based on the current JTPA law, it does assume enactment of proposed amendments. We both know what they say about the word "assume". Let's assume the amendments don't pass. What then? Will this still be a good budget?

Mr. **Jones**. Yes, sir, I believe so. I think the issues we have focused on, moving some dollars into this youth equation is a very important one regardless of the directions we head in.

As we indicated earlier, I think these amendments need to take place to assure that the program is more productive.

Mr. **Conte**. You say that the amendments will increase accountability. What programs or components of programs currently lack accountability?

Mr. **Jones**. There are a variety of things, Mr. Conte. There has been a broad-based debate now for several years as to whether or not we are serving those most in need. The amendments address that. I think there is a consensus on exactly who it is that we should be serving.

The amendments assure not just short-term services for people who are skill deficient, but a broader basis of training so they can enter the job market.

We have an issue of counting placements as we do in many programs. We have now suggested that placements ought to be counted only if they are longer term. There is a whole series of those things. In addition to further amendments to the very successful performance standards that we have had in JTPA that have focused people on outcomes and jobs and not just administering them. We think there is a whole series of things that really bring it into line with the issues that we have addressed today.

YOUTH OPPORTUNITIES UNLIMITED

Mr. **Conte**. If enacted, the amendments would increase the youth job training grants by $253,000,000. It will create a $50 million program called YOU. It provides challenge grants to stimulate community involvement and demonstrations. What evidence do you have that the challenge grants will work in the inner city and rural areas?

Mr. **Jones**. The Congress over the last several years, Mr. Conte, has made a number of changes in programs. Last year Congress passed the welfare jobs program and then JTPA prior to that. There have been a number of changes this year in vocational education systems. All of which include performance standards and some flexibilities and focus on basic skills attainment.

We think the programs themselves are starting to line up. It is going to become easier and more efficient for local people to begin to put them together. What we want to do is force that to happen. We announced our demonstrations and we had responses from all over the country from cities and rural areas who are willing to take that on and commit local money and local political efforts to doing that.

We selected 14 and we received detailed plans from all 14 that have already addressed those kinds of issues. I think we may be back at a point where it is the right issue and the right way to go. Clearly, we are going to have to travel with them to see how well that works.

I will make one comment: we have set a very high standard for ourselves. We have suggested with these demonstrations that we would like to fund five or six of them. But we will not do it unless they meet the standards of bringing those programs and their funding together, and it has a very high expected performance outcome for the people who are going to be in it.

That is what the issue is about, not just to grant programs.

Mr. **Conte**. What programs will be supported under YOU that cannot be conducted now under JTPA, Title II(a)?

Mr. **Jones**. Not a thing. In fact all these things could be done if the bureaucrats and the systems out there would come together to do them. We have opted to create a system that provides incentives for them to do that. But in terms of a specific new program that is either authorized or designed, there isn't any. What we do recognize is if you want to create an atmosphere in which they are willing to invest the oversight and the political will to get these folks together, we need to have an administrative process and staff that does that. We cannot allow JTPA or the welfare system to argue that they have their own requirements in the law and they don't want to get together.

The incentive is very valuable in that respect.

DISLOCATED WORKERS

Mr. CONTE. If the JTPA amendments are enacted, services for disadvantaged youth will increase by $253,000,000; services for dislocated workers from Title III, trade adjustments, assistance to programs for dislocated programs will be eliminated. What does that say about the importance of disadvantaged youth versus dislocated workers?

Mr. JONES. I don't believe it says anything about that. I would argue just slightly. The dislocated worker request is $400,000,000 versus $463,000,000 appropriated for 1990. I think that is more of a timing issue. The Congress completed action increasing funding after our budget had gone through. I would not reflect that as a policy cut.

The issue of trade adjustment assistance is a wholly different one. The only issue that we have is that we are not serving many people. We are not currently spending the money. Very few people get certified. We can serve them all better under the dislocated workers program. We would like to do more and do it more efficiently. I think both these groups—youth and dislocated workers—are going to continue to see increases. It is not an offset of one against the other.

FEDERALLY ADMINISTERED PROGRAMS

Mr. CONTE. You propose budget cuts of $14,000,000 for Native Americans, migrant and veterans programs. If enacted JTPA would add $14,000,000 to those programs, what is going on here?

Mr. JONES. It is just a question, Mr. Conte, of applying the statutory formula amounts to these programs. Under the proposed amendments, all of the Native American pieces will be moved to one accounting line, one budget line combining the Native American summer money with the regular Native American program. The only cuts that are contemplated are the standard Gramm-Rudman cut and the Migrant and Seasonal Farmworker decrease to return this program to its statutory formula amount.

JOB CORPS LINKAGES

Mr. CONTE. For Job Corps the request is $781,000,000 for operating expenses. This includes a $4,600,000 decrease for JTPA linkage economies. What JTPA linkages will provide a $4,600,000 savings?

Mr. JONES. We have an on-going effort to begin to link Job Corps with our local JTPA systems. It has become quite productive with some positive relationships.

Mr. Rell can explain.

Mr. **Rell**. The JTPA amendments contemplate some much closer relationships among the whole variety of training programs. That includes some prospects for common intake.

The majority of savings are based on the fact that with this more efficient system we will save money in our intake, outreach, and screening costs. I have to admit, Mr. Conte, that $4,600,000 sounds precise. We could have made it $4,000,000 or $5,000,000. It is a guess.

NON-RESIDENTIAL CENTERS

Mr. **Conte**. The department is conducting evaluation of non-residential Job Corps centers in New Orleans and Philadelphia. What is the status of that evaluation?

Mr. **Rell**. Those are pilot centers. There is a formal evaluation going on with an outside contractor. They are in a data collection stage. It is a random assignment, controlled experiment. It is cumbersome, complicated and expensive. We are in the midst of that. It requires some follow-up of the individuals who are there. You have to give them time to come out the end of the pipe line to see how well they do.

We have asked the evaluation contractor to give us a reading about three-quarters of the way through the next program year in order for us to make an assessment as to whether or not we want to continue centers or whether we want to close down the pilot effort.

Mr. **Conte**. If the centers get a positive report they will be fully incorporated in the program. How would that change affect the budgets and the number of persons at the other centers?

Mr. **Jones**. Mr. Conte, we started this two or three years ago, frankly, because the unit cost in Job Corps remains among the highest that we have.

The basic question is, are there different ways of serving more people. If this pilot proved to be cost effective, if you had the same results with a non-residential program where you were not providing 24-hour a day care, then I suspect the committee and the Administration would sit down and say maybe we should have a higher mix than just 10 percent non-residential slots and serve substantially more people for the money.

But the real bottom line to that question should not be dollars. It should be whether or not the model can be reflective of the basic kinds of success that the basic Job Corps program has. That is what the basic evaluation is about.

JOB CORPS DRUG TESTING

Mr. **Conte**. The department is requesting another $3,300,000 to expand student drug testing and treatment services to all centers. What have the pilot projects shown about the effectiveness of the drug testing and treatment services?

Mr. **Jones**. They have shown it to be quite effective. One of our most important responsibilities with these young people is to insure that we know whether they have special problems, such as drug use, what kind of services they need, and whether we can provide it at Job Corps or we have to refer them out to other treatment.

It is extremely important when we have 24-hour a day responsibility for people that we get them the kinds of help that they need.

In Job Corps we deal with a clientele that frequently comes to us with a drug abuse history. As we indicated earlier, about 39 percent at the test sites, 13 sites we tested, had some recent drug use. That allows the counselors and residential folks to make some judgments.

STUDENT/COUNSELOR RATIO

Mr. CONTE. What is the ratio between counselors and students?

Mr. RELL. 90 to 1 is the maximum case load, although it is lower in a lot of centers. That was established on the premise that the residential advisers, the staff in the dormitories, would pick up a substantial portion of what you would consider counseling. The staffing ratio in the dormitories is 30 to 1.

Mr. CONTE. They have their hands full.

Mr. RELL. Yes, indeed.

Mr. CONTE. What is the qualification to be counselor?

Mr. RELL. It varies from location to location. Our general direction to the centers is to follow any accreditation requirements in the particular state that they are in. That varies from state to state. In some states they are required to have masters degrees and in others bachelors degrees. They will sometimes waive those requirements as long as the counselors are taking classes to reach that.

Our monitoring shows they have been somewhat lax in enforcing those requirements.

Mr. CONTE. Most states don't have standards for counselors, do they?

Mr. RELL. Some do and some don't. Some cover them not specifically as counselors but as other educational staff in their overall standards setting.

Mr. CONTE. We have a roll call vote on the Floor.

[Recess.]

JOB CORPS SLOTS

Mr. NATCHER. Mr. Jones, you are evidently planning to reduce the number of Job Corps training slots in 1990 from the usual level of 40,544 to 39,660. What accounts for this reduction, Mr. Jones?

Mr. JONES. Mr. Chairman, this is just a one-time shortfall in 1990 in the operation budget. In prior years we have come to this committee and requested that you shift money from the construction account to the other account for operations to cover that shortfall.

We think we can no longer do that, that we have raided the construction account to a point where we won't get the necessary work done. We think we have to maintain construction activities this year in order to maintain the quality of those facilities.

Secondly, we don't think we are at the point any longer where we can just reduce costs across the board to cover it. That will affect quality far too much. We have opted to take this one-time cut and to do it at centers where we will be making construction changes and other things anyway, so it will have very little impact on the program.

Our funding request for 1991 is at the full level. We will be supporting 41,113 slots as a matter of fact.

Mr. NATCHER. In your 1991 budget request you are fully restoring the reduction made in 1990?

Mr. JONES. Yes, sir.

OLDER AMERICANS

Mr. NATCHER. You also are proposing to cut the Title V, Older Workers Program, in 1991. By how much do you intend to cut it?

Mr. JONES. That is a $14.2 million cut.

Mr. NATCHER. What is the rationale for this cut?

Mr. JONES. This is just a budget deficit cut, a Gramm-Rudman cut consistent with cuts in other programs that are in here. In addition, there will be some impact on budgeted training slots because of the increased minimum wage. Those are the two reasons. There is no policy reason for the cut.

Mr. NATCHER. Shouldn't you be increasing the budget to maintain the program level?

Mr. JONES. We would have to increase the budget or reduce the slots because of the increased costs. That is part of the reduction.

STAFFING

Mr. NATCHER. Why are you reducing your overall agency staffing by 32 employees in 1991?

Mr. JONES. That is the Gramm-Rudman impact on our S&E budget.

Mr. NATCHER. What impact will the staffing reductions have, if any?

Mr. JONES. It will have some impact in that it impacts our ability to conduct oversight and other kinds of efforts. We have laid out for you a whole number of new program initiatives here where we have growth in Job Corps and growth in the basic JTPA systems so it tends to impact more heavily on the regional offices. The level will not have a major impact.

ALIEN CERTIFICATION

Mr. NATCHER. On page 40 of the justifications you say that the alien labor certification program is expected to develop large case backlogs. What is taking place here, Mr. Jones?

Mr. JONES. This is a little bit of a dilemma. For the last two or three years, particularly this year, the estimates on what will happen in that program, the non-agricultural application program, have continued to be very high.

But the numbers that we have experienced in reality have not been that high. The budget suggests that if the numbers really do come in at that level that we would have a backlog that would develop. But our experience to date does not reflect that increase. So we are uncertain whether we are going to have that increase or that backlog.

Mr. NATCHER. Do we have a reduction in staff in this particular area, labor certifications?

Mr. JONES. No, we do not. We just don't have the level of increase that might be expected if, in fact, those numbers were to increase that much.

Mr. NATCHER. Do you need additional staff for this?

Mr. JONES. Not at this point, Mr. Chairman. We still don't see the backlog or workload increasing at the level of the earlier projections. We don't think this is going to be an issue.

If there were really that kind of increase, as was previously projected, we would have a problem and would have to talk about that.

Mr. NATCHER. Mr. Jones, we want to thank you and your associates for appearing before the committee on behalf of the first section of your request.

[The following questions were submitted to be answered for the record and the justifications follow:]

JTPA

Mr. Natcher: The Inspector General's latest semiannual report is still somewhat critical of the Department's oversight over JTPA. I will quote from pages 2 and 3:

> After seven years of the Job Training Partnership Act of 1982 (JTPA) and $18.5 billion in program expenditures, no one knows whether the return on investment has been productive or whether the program standards established to measure program usefulness have been effective.
>
> Increasingly, the results of our audit and investigative work demonstrate many potentially abusive situations........
>
> The JTPA system's overreliance on fixed unit price, performance-based contracts remains our most urgent concern. Many of our recommendations focus on the regulations which allow costs under such contracts to be charged entirely to the training cost category. This means that some expenditures which would normally be charged to administration and participant support are reported instead as training costs. Because of this reporting problem, no one -- not the Department of Labor, not the Congress, and not the taxpayer -- really knows whether the statutory provision requiring at least 70 percent of JTPA Title II-A funds be spent on training is being met.

Mr. Jones, what is your response to the Inspector General's latest comments on your program? Is he wrong?

Mr. Jones: In 1985, the Department began work on a major national study of JTPA to determine the program's net impact on employment, earnings, and welfare dependency. The study employs random assignment to participant and non-participant groups in 16 of our Service Delivery Areas nationwide. Contracts to complete design of the study were awarded in June 1986. Enrollment of participants began in the fall of 1987 and was completed in the fall of 1989. Follow-up data collection on participants will continue for two and one-half years following enrollment. We expect to receive the first analytical report on net impact in 1991.

The Department has pursued both administrative and legislative responses to assure that fixed unit price contracting in JTPA does not result in the diversion of training resources to administration and overhead. Legislatively, the Administration's proposed amendments restrict the use of fixed unit price, performance based contracts. No longer will providers be permitted by law to charge all costs to training. Rather, amounts spent on administration and supportive services must be specified. In addition, the Department is launching new administrative measures to address the problem. In March, 1989, we published revised polices on the writing of fixed unit price, performance-based contracts under JTPA, detailing minimum requirements. A number of complementary efforts are planned and underway to ensure that the new requirements are followed. These include increased monitoring through a revised Federal oversight system; extensive training to States on procurement and contract development practices; and cooperation with the OIG in resolving alleged abuses.

Regarding performance standards, since the inception of JTPA they have served more as a mechanism for program management than a means of evaluating program impacts. They have also been evolutionary, consistent with increased program experience and changing policy emphasis. Beginning in Program Year (PY) 1988, for example, post program adult outcomes dealing with longer-term employability and earnings and youth outcomes acknowledging the importance of skills acquisition and educational credentials were made key elements of the performance standards system. In addition, data collection on service to such "at-risk" groups as long-term AFDC recipients and individuals with reading skills below 7th grade began in PY 1988. This was consistent with a DOL policy goal of focusing JTPA resources on and providing quality services to the neediest population. The same direction is being taken with PY 1990 standards, which will put an even greater emphasis on post program results for adults and the acquisition of educational credentials for youth.

Over the past seven years, JTPA has placed more adults in higher wage jobs and at lower costs per placements than employment and training programs prior to JTPA. The Department of Labor (DOL) has made every effort to make JTPA consistent with its legislative intent and as effective as possible. During this period JTPA has been closely monitored by DOL, audited by States and DOL, and evaluated by GAO and OIG. It was also the subject of a national process review during the past year. These various oversight activities have shown that, for the most part, JTPA has been using funds appropriately to provide job training programs for economically disadvantaged individuals. At the same time, there is evidence that legislative fine-tuning, particularly in the areas of targeting and the implementation of systems to adequately determine and address skills deficits of participants, could increase JTPA's effectiveness and consequently its return on investment.

Mr. Natcher: What major evaluation studies is the Department conducting concerning the overall effectiveness of the Job Training Partnership Act?

Mr. Jones: The major evaluation we are conducting is a national study of JTPA Title II-A in which we have randomly assigned 20,000 program applicants from 16 service delivery areas (SDAs) into participant and control groups. We have baseline data on individuals in the sample, and they will be followed up at approximately 16 and 30 months after program application. We will gather extensive follow-up information on these individuals examining possible impacts on employment, earnings, wages, occupation, educational attainment, and welfare dependency. We will also be able to use the study to determine which treatments are the most effective, and which groups of people are most positively affected by the program.

Other evaluation projects we either are currently funding or recently have funded include a quarterly collection of a sample of SDA participant records conducted by the Bureau of Census, a qualitative study of JTPA Title II-A training of adults in 15 SDAs, a random assignment evaluation of a Title III program, a qualitative study of the implementation of the new Title III program, and a qualitative study of youth programming in 25 SDAs.

Mr. Natcher: Do you have any significant results that you can share with the Committee at this time?

Mr. Jones: Preliminary results from the control group study of JTPA Title II-A will not be available until late next year, and final results will not be ready until the end of 1992. Studies such as these take a great deal of time because we have to wait for individuals to return to the labor force for a while following program participation for results to reflect long-term impacts from the program.

Results from our quarterly survey of SDA records and from the recently completed study of the quality of JTPA training suggest that Title II-A of JTPA is serving a disadvantaged population as prescribed by law and that there are many worthwhile programs being offered by SDAs. The quarterly survey data provide the following profile of the Title II-A program during PY 1988: 95 percent of participants were economically disadvantaged; 62 percent of adult participants received some form of occupational training, with the remaining participants receiving job search assistance or other types of services; 73 percent of adults were placed in jobs at termination; and 72 percent of youth had positive terminations.

Further, results from the GAO study completed last year of adult programs in Title II-A show that of adult participants receiving occupational training, 25 percent are trained in high-skill occupations, 47 percent in moderate-skilled occupations, and only 28 percent in low-skill occupations.

Still, the results of these various studies of JTPA also indicate that JTPA needs to be modified so as better target resources on individuals most in need of services and to improve some program components such as on-the-job training. For example, both the GAO study and our own participant data suggest that we are currently underserving high school dropouts relative to their need. Also, among welfare recipients, we are currently serving a more educated group of individuals than occurs in the general welfare population. This latter point is troublesome because more educated AFDC recipients have a higher probability of leaving welfare on their own than AFDC recipients who have not completed high school. Further, the GAO study stresses the need for improvements in on-the-job training design and for increased emphasis in both OJT and classroom training on moderate to higher-skilled occupations.

Results from both the GAO study and our own qualitative study of Title II-A suggest that the lack of JTPA targeting on the hardest-to-serve is not so much caused by SDAs consciously selecting the best applicants, but rather by SDAs not making special efforts to recruit and serve a highly at-risk population. The goals of the proposed JTPA amendments are to move the system towards serving a more difficult population, and to serve these individuals in a more comprehensive manner.

Mr. Natcher: How many people were served by JTPA programs in the most recent year?

Mr. Jones: The following table shows the number of new participants in each of the major JTPA programs in Program Year 1988, the most recent year for which data is available:

Program	New Participants
Block Grant	873,600
Summer Youth	635,100
Dislocated Workers	139,300
Job Corps	68,100
Native Americans	28,200
Migrants and Seasonal Farmworkers	47,400

Mr. Natcher: Will this increase or decrease under your 1991 request?

Mr. Jones: For PY 1991, our proposed JTPA amendments would replace the existing Block Grant and Summer Youth programs with separate block grants assisting adults and youth. These new programs, aimed at those economically disadvantaged individuals with particularly severe barriers to employment, would require more intensive and comprehensive services and longer lengths of stay. These proposed changes would be costly and would allow fewer individuals to be helped even with the increased funding for the new youth programs.

For the other major JTPA programs new participants are expected to increase in PY 1991 as compared to PY 1988.

Program	PY 1991 New Participants
Adult Job Training Grants	370,000
Youth Job Training Grants	683,000
Dislocated Workers	252,500
Job Corps	68,300
Native Americans	38,500
Migrants and Seasonal Farmworkers	48,200

Mr. Natcher: How many people in this country do you estimate are eligible for JTPA programs?

Mr. Jones: According to the March 1989 Current Population

Survey estimate, there were more than 35,067,000 people age 16 and older who were below the poverty level. Of this number, youth aged 16 through 21 accounted for 6,312,000 people, while those age 22 and older totalled 28,755,000.

Mr. Natcher: What is the average length of training in JTPA?

Mr. Jones: For the Title II-A program in Program Year (PY) 1988, which ended June 30, 1989, the average duration of participation was 19 weeks. For the Title III dislocated worker program, the corresponding figure was 21 weeks.

Mr. Natcher: What percentage of people who enter training go on to complete the program?

Mr. Jones: We do not measure the number of "completers". We do gather data on the immediate status of those who leave the programs, including those who may drop out before completing training. For youth, the positive termination rate was 80 percent for PY 1988. Youth with positive terminations include, in addition to those who entered employment, youth who returned to full-time school, entered an employment/training program not funded by Title II-A or III of JTPA, or attained specific youth competencies (pre-employment/work maturity skills, basic education skills, or job specific skills). There is no directly comparable measure for adults, as our reporting system focuses upon outcomes and not "process" measures. Thus, the entered employment rate has been the primary measure of program performance. We do know that the majority of adults received either classroom training (34 percent) or on-the-job training (OJT) (22 percent). Data indicate that 83 percent of individuals who participate in OJT are placed in employment at the end of their training.

Mr. Natcher: What percentage of completers is actually placed in jobs?

Mr. Jones: Of those adults terminating from Title II-A, including those that might drop out before completion, 71 percent enter employment. Of the Title III terminees, 69 percent enter employment. We do not measure the status of completers.

Mr. Natcher: What is the average starting wage?

Mr. Jones: The average hourly wage for adult program terminees entering employment was $5.38 per hour for the Title II-A program in PY 1988. For Title III, the average wage was $7.54 per hour.

Mr. Natcher: Can you tell us a little more about your proposed Youth Opportunities Unlimited program? How would it work?

Mr. Jones: The purpose of the YOU program is to concentrate a large amount of resources into high-poverty inner-city and rural areas so as to fundamentally change the focus of opportunities available to youth growing up in these areas. The YOU program will be targeted on communities with a population of 25,000 or less with poverty rates of 30 percent and higher. Such communities include neighborhoods which make up the core of inner-city ghettos and counties in which the most severe rural poverty occurs--the rural South, areas along the Rio Grande, Appalachia, and Indian Reservations.

The YOU program is designed to be not simply a job training program, but rather a community-wide set of interventions which include school reorganization, child development, anti-drug and public health initiatives, greatly expanded recreation and cultural programs for youth, college Upward Bound programs, and private sector initiatives. DOL funds will pay for job training programs, and cities and rural States will compete for these funds based in large part on the degree to which they develop commitments for carrying out these complementary initiatives.

We intend that YOU funds be used for comprehensive job training programs which have been successfully operated in other communities and also will encourage localities to develop innovative models. Such programs include community learning centers based on the JOBSTART model, alternative schools based on the High School Redirection model, and community rehabilitation programs. We are hoping that complementary programs in schools, child development, and public health will be similarly based on models of demonstrated effectiveness. In a sense, we are trying to put together a model neighborhood program that includes all the interventions which are necessary to turn a community around.

Mr. Natcher: Would it be operated strictly as a Secretary's discretionary grant program?

Mr. Jones: We would operate this as a national program similar in some respects to the way we operate the Job Corps. We will determine eligibility of cities and rural States to apply for the grants based on poverty data. Cities and States will have a few months to put together proposals, which would be submitted to the Secretary by the Governor, and will be selected for award largely on the basis of how well they have developed commitments to carry out the complementary initiatives necessary for a successful program. We intend to provide a great deal of technical assistance and oversight of the program both from the national and regional levels, much as we do with the Job Corps program.

Mr. Natcher: How many projects would you fund at a $50 million level?

Mr. Jones: We plan to ~~support~~ each YOU site for a period of three to five years at an average funding level of a little over $1 million a year. Thus, with an annual allocation of $50 million, we would be able to operate an ongoing YOU program at about 40 sites over the next five years.

Mr. Natcher: To what extent are you already funding similar activities using your pilot and demonstration funds?

Mr. Jones: Last summer, we provided six-month planning grants to 12 cities and two rural States. We received proposals from these sites in February, and in April will make three-year awards of $2.7 million to four cities and one rural State. We are quite pleased with the way the planning process has worked out, and the YOU concept appears to have generated a lot of enthusiasm at the local level.

EDWAA

Mr. Natcher: The new dislocated workers program under Title III is in its first year of program operation. Has the new program been fully implemented in all of the States?

Mr. Jones: We can report that since July 1, 1989 when the new provisions became effective, every State has been operating a dislocated worker program under EDWAA. Every State, the District of Columbia and Puerto Rico has a plan describing structures and program designs consistent with the new requirements. Every State is conducting rapid response visits for plant closings and substantial lay-offs, and substate grantees are providing retraining and readjustment services to participants. We expect, however, that full implementation is a goal that we will continue to strive for: that the coordination we have seen will get even better; that the on-site rapid response will become even more effective; and that new and better training will be developed and be made available to meet the needs of the dislocated workers.

Mr. Natcher: Give us your initial impressions of how the new program is working and tell us what the significant changes are from the old title III program.

Mr. Jones: Regional Office monitoring visits and State reports of program activity indicate that the EDWAA program is up and running at planned levels in most States and substate areas. Some States and substate areas have fallen short of their planned enrollments and expenditure levels and are taking action to bring their programs up to planned levels. Rapid response to plant closings and mass layoffs is functioning well in virtually every jurisdiction.

The EDWAA program contains five elements which distinguish it from the old Title III program. First, States are required to provide rapid response services to assist workers and firms in adjusting to plant closings and mass layoffs. Second, it requires mandatory distribution to local service organizations of at least 60 percent of a State's allotment, placing responsibility for most participant services on substate service providers. Third, the program emphasizes retraining of dislocated workers, to better prepare them for occupations with long-term potential. Fourth, EDWAA requires increased coordination with other appropriate programs, such as unemployment insurance and economic development agencies, as well as initiatives to encourage labor/management cooperation to assist dislocated workers. Finally, the new program establishes an increased financial accountability on the part of grant recipients, primarily through a focus on actual expenditures instead of availability, and provisions for recapture and redistribution of unspent funds by States and by the Department of Labor.

Mr. Natcher: Will the States have problems spending the money in a timely fashion in the new program as they did in the old one?

Mr. Jones: We believe that most States will expend their EDWAA funds at a rate in excess of their expenditure rate in the old Title III program. Initial expenditure reports show an acceptable rate of expenditures and enrollments in most States. This is attributable in large part to the new focus on State-level rapid response coupled with substate delivery of retraining and basic readjustment services. Another factor is the statutory provision requiring States to spend 80 percent of their allotment or be subject to reallocation. We have provided technical assistance to those States where expenditures have lagged behind their planned levels, and have assisted them in establishing a process whereby activity at the substate level can be more effectively monitored.

Mr. Natcher: How often do the States report expenditure data to the Department?

Mr. Jones: We receive quarterly expenditure reports from the States. These reports track expenditures of formula and national reserve funds at the State level, and of formula funds at the substate level for each State. We also receive basic activity information (the numbers of participants, terminations, WARN notices received, and rapid responses) in the quarterly reports. Quarterly receipt of this data has assisted us in overseeing the implementation of EDWAA.

Mr. Natcher: For the record, provide an explanation of how Title III discretionary funds are awarded.

Mr. Jones: The Secretary is to reserve up to 20 percent of the annual appropriation for Title III to be used to meet a number of different Federal responsibilities under the Act. These include required allocations for dislocated worker programs in the insular areas, conducting special exemplary and demonstration programs, providing for technical assistance and training for the States and other organizations involved in dislocated worker programs, and allocating discretionary funds for dislocated worker projects serving workers affected by multi-State or industry-wide dislocations and to areas of special need, including those in need of disaster relief.

Funds for these dislocated worker projects are awarded on the basis of applications submitted to the Secretary. Each year, the Department publishes guidelines that explain the application requirements, the criteria for selection, and the award process.

In general, States, substate grantees, or other interested parties such as local labor organizations must identify the dislocated workers to be served, the types of services needed, and the expected outcomes. To ensure coordination and avoid duplication, this information is submitted through the State and then to the Department. Once received by the grant officer, a panel reviews the proposal to ensure that it is complete and programmatically sound. The panel's written recommendations are forwarded to the Secretary for her review. The Secretary may decide that the proposal should be fully funded, partially funded, or denied. The grant officer then notifies the State of the Secretary's decision, and explains any conditions or additional requirements which may apply to the grant award. If the application has been approved, that same letter contains the authorization for funds which the State is to distribute to the program operator.

TITLE III APPROPRIATION

Mr. Natcher: Why are you proposing a separate appropriation account for the Title III program? Is it necessary?

Mr. Jones: A separate account is being established to separately account for funding of the dislocated workers programs as authorized by the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act contained in the Omnibus Trade and Competitiveness Act of 1988. The EDWAA Act amended Title III of the JTPA, and funding was previously provided as part of the Training and Employment Services (TES) account. JTPA programs which focus principally on the economically disadvantaged population will continue to be funded by the TES account. The Worker Readjustment account will fund the amended JTPA Title III program which provides services to workers who have been dislocated but may not necessarily be economically disadvantaged, or exhibit the severe barriers to employment envisioned by the proposed amendments to the Title II program.

To eliminate duplication in worker readjustment programs, legislation will be proposed to repeal training and benefits under the Trade Adjustment Assistance (TAA) program. Currently TAA is funded from the Federal Unemployment Benefits and Allowances account. Upon enactment of the proposed legislation the Department will propose that all remaining funds for dislocated worker programs, including funds for the payout of TAA benefits in 1991 to those receiving payments during the week including September 30, 1990, be included in this new account. This also includes benefits under the Redwood National Park Amendments of 1987.

Mr. Natcher: What kind of needs-related payments are available in the new Title III program?

Mr. Jones: The new program recognizes the intertwined needs for retraining and income support faced by dislocated workers as they seek another job. Special provisions have been included to authorize needs-related payments for individuals who do not qualify or have ceased to qualify for unemployment compensation benefits, in order to enable the workers to participate in training or education programs under EDWAA. These needs-related payments can be at the same level as the applicable unemployment compensation, or the HHS poverty level. Participants who have exhausted their unemployment compensation benefits must have enrolled in training by the end of the 13th week of the benefit period to qualify for needs-related payments.

Mr. Natcher: How much do you estimate will be spent on these payments?

Mr. Jones: Each substate grantee will be making this decision based on the needs of the dislocated workers to be served, and other local circumstances. Since this is the first year in which we have offered needs-related payments, we have no prior experience upon which to base national projections. The Act, however, limits expenditures for needs-related payments and supportive services to not more than 25 percent of the total expenditures for the substate grantee during the program year. Present budget estimates assume 20 percent of the substate expenditures will be used for needs-related payments and supportive services.

JOB CORPS

Mr. Natcher: How many existing Job Corps centers will be relocated to different facilities in 1990?

Mr. Jones: The 1990 appropriation provides $14.8 million for Job Corps center relocations. This amount will be sufficient to relocate two or three centers to new facilities. The Department has not yet determined the specific centers that will be affected. The criteria that will be used in making these selections are listed in priority order below:

Priority 1: Unsafe or hazardous environments which cannot be remedied economically.

Criteria: Unsound structures. Asbestos or other hazardous substances.

Priority 2: Inability to renew expiring lease.

Criteria: Firm refusal from landlord to extend lease beyond current expiration date. Inappropriate to use federal leasehold condemnation proceedings.

Priority 3: Inadequate learning environments.

Criteria: Inflexible space configurations. Inadequate space with no potential for expansion. Detrimental neighborhood environment. Relocation cost. Interim repair costs/alternative renovation costs. Competing community demands. Facilities in multiple locations.

Mr. Natcher: How many other centers need to be moved because of badly rundown or outdated facilities?

Mr. Jones: At this time, there are eight Job Corps centers that are potential candidates for relocation based on the criteria stated above. We will be able to relocate two or three of them with 1990 funds.

Mr. Natcher: Is there any money in the 1991 budget for this purpose?

Mr. Jones: In view of overall budgetary constraints, the 1991 budget request does not include further funding for center relocations.

Mr. Natcher: How much Job Corps capital money is unobligated at this time?

Mr. Jones: As you know, starting in Program Year 1988, Job Corps capital funds have been appropriated as three year monies. At this time we have two active capital accounts, one consisting of Program Year 1988 funds and the other consisting of Program Year 1989 funds. Please note that the capital funds appropriated for Program Year 1990 do not become available until July 1, 1990, which is the beginning of that program year. The status of the two active accounts as of mid-March 1990 is as follows ($ in millions):

	PY 1988	PY 1989	Total
Amount Appropriated....	89.0	$63.1	$152.1
Amount Obligated.......	$63.8	$ 0.0	$63.8
Unobligated Remainder..	$25.2	$63.1	$88.3

Mr. Natcher: Has all of that amount been allocated to specific projects?

Mr. Jones: Yes, the entire unobligated remainder has been budgeted for specific projects and facility improvements.

Mr. Natcher: You plan to open two of the planned 6 new centers in 1991. Where will those two centers be located?

Mr. Jones: The first two new centers will be located in Manhattan, Kansas and Gadsden, Alabama.

Mr. Natcher: Where will the other four be located and what is the timetable for opening them?

Mr. Jones: Specific sites have been already been selected for two of the remaining centers, which will be located in Minot, North Dakota and Mt. Laguna, California, respectively. We are tentatively scheduling these two centers for activation at the start of Program Year 1992. The final two centers will be located in the States of Connecticut and Alaska. We are still in the process of selecting the sites for these two centers. We believe that the final two centers can be activated at the start of Program Year 1993.

Mr. Natcher: What procedure did you use to select these six centers?

Mr. Jones: The funding for the new centers was provided in two increments. The first appropriation was made for Program Year 1988 in the amount of $12 million and the second was made for Program Year 1989 in the amount of $35.6 million. After the first appropriation was provided, we selected Kansas and Connecticut based on recommendations and evaluations made by officials and staff within the Department of Labor. After the second appropriation, we issued a public solicitation for applications that were reviewed against criteria that were specified in the relevant legislative history.

Mr. Natcher: How many applications did you receive?

Mr. Jones: We received seventeen applications for sites located in fourteen different States.

Mr. Natcher: What is the average cost of starting a new center?

Mr. Jones: The costs will vary substantially from site to site, but we estimate the average to be $8 million.

SUMMER YOUTH PROGRAM

Mr. Natcher: How many slots will be funded in the summer youth employment program in the summer of 1990?

Mr. Jones: The Program Year 1989 funding level for the Summer Youth Employment and Training Program will fund the Summer Youth Program during the summer of 1990. It is anticipated that the program will serve 632,700 economically disadvantaged youth.

Mr. Natcher: How many were funded last summer?

Mr. Jones: The Program Year 1988 funding level for the Summer Youth Employment and Training Program funded the Summer Youth Program during the summer of 1989. Preliminary data indicated the program served an estimated 635,100 economically disadvantaged youth.

Mr. Natcher: Won't the increase in the Federal minimum wage affect the number of slots that can be funded? To what extent?

Mr. Jones: The Department figures participation in the summer work experience component at an average of 8 1/2, 35-hour weeks. The Department estimates the per participant cost for the summer program before minimum wage increases at around $1,122, almost all of which is associated with the compensation for summer work experience. Since the initial increase in the minimum wage is 15 percent, there would be an approximate equivalent reduction in the number of participants in the summer program. However, the Department is considering proposing a technical amendment to the JTPA which would permit summer program use of the "training wage" created by the Fair Labor Standards Act Amendments of 1989. If the training wage were authorized, the minimum wage change would have no impact on this summer's program. In future years, the use of the training wage would minimize the effect of the increased minimum wage upon both costs and levels of participants in the summer program. Of course, there needs to be a recognition of the fact that in many States and localities a level above the minimum wage is paid to reflect a higher State or local minimum wage or local labor market conditions.

MIGRANT AND SEASONAL FARMWORKER PROGRAM

Mr. Natcher: Why are you proposing to cut the migrant and seasonal farmworker program by $13 million, or nearly 20 percent, in 1991?

Mr. Jones: Resources for this program are requested at the level specified in the authorizing statute. Additional funds were provided by Congress for 1989 and 1990, beyond those statutorily required by JTPA, to meet an expected increase in demand for services by eligible workers including Special Agricultural Workers under the Immigration Reform and Control Act of 1986. The Department is unaware of any long term significant increase in caseload that would support the 1989 and 1990 enacted levels.

Mr. Natcher: How many people will be served by this program in 1990 and 1991?

Mr. Jones: The 1990 funding level will serve approximately 53,800 new participants. The 1991 funding request is expected to serve an estimated 43,400 new participants.

Mr. Natcher: Did Congress make a mistake in significantly increasing this program the past couple of years?

Mr. Jones: Congress enacted additional appropriations to provide for services for those individuals who might become eligible for the Section 402 program as a result of the IRCA legislation. These funds are and will continue to be effectively used by the program. However, given the deficit situation and other Federal spending priorities, this higher level is not justified.

HOMELESS PROJECTS

Mr. Natcher: How are you spending the job training funds for the homeless under the McKinney Act? What kinds of projects have been funded?

Mr. Jones: Awarded on a competitive basis, the projects selected for funding by ETA are providing coordination, outreach, assessment and job training services. Four training elements that are especially important with respect to placement and retention in stable jobs are skills-training, on-the-job training, work experience and follow-up services. All grantees will conduct individual project evaluations and will participate in a national evaluation across all grantee projects.

The demonstration program as a whole includes the full spectrum of homeless people. Some grants are, however, for projects that emphasize assistance to one or more subgroups within the homeless population, including the chronically mentally ill, substance abusers, families with children, single men, single women, homeless youth and American Indians.

Mr. Natcher: For the record, provide a representative list of the homeless projects that you have funded with a short description of each.

Mr. Jones: Press releases providing a brief description capturing the main focus of projects funded by ETA in FY '89 and FY '90 follow.

News United States
Department
of Labor

Office of Information Washington, D.C. 20210

EMPLOYMENT AND TRAINING ADMINISTRATION USDL: 90-02

CONTACT: John Heinberg Eileen Pederson For Release: IMMEDIATE
202/535-0682 202/535-0682 WED., JAN. 3, 1990

LABOR SECRETARY DOLE ANNOUNCES $8.7 MILLION FOR EMPLOYMENT AND TRAINING PROJECTS FOR THE HOMELESS

Twenty-five public and private groups will receive a total of $8,664,872 from the U.S. Department of Labor to operate employment and training projects for the homeless, Secretary of Labor Elizabeth Dole announced today.

"These projects will assist homeless Americans to find and keep good jobs," Dole said. "They will demonstrate new approaches to link job training with a variety of support services, such as housing, transportation and child care."

Authorized by the Stewart B. McKinney Homeless Assistance Act, the one-year grants are for Fiscal Year 1990 and will go to a variety of public agencies and private nonprofit organizations. Employment and Training Administration will oversee the projects to develop knowledge for future policy decisions on job training for homeless individuals.

Awarded on a competitive basis, the 25 projects selected for funding by the Labor Department's Employment and Training Administration were chosen from a total of 293 applications. These projects are in addition to 21 groups funded during Fiscal Year 1989. Six of the new grants will go to groups who received funds for similar projects in Fiscal Year 1988, the program's first year of operations.

Groups in the homeless population to be served by the projects include the chronically mentally ill, substance abusers, homeless families with children, single men, single women, homeless youth, and Native Americans. Some projects will focus specifically on one of these groups, but the program as a whole represents the full spectrum of homeless persons in a variety of urban and rural settings throughout the country.

A list of the grants is attached.

# # #

Employment and Training Projects for the Homeless
FY 1990 Grantees
(* = received FY '88 funding)

Arizona

* $300,000 to Pima County Community Services Department Reentry Program, Tucson, to expand assessment services, basic skills and on-the-job training, and support services to those in economic difficulty, the chronically mentally ill, substance abusers, victims of domestic violence and veterans. (FY '88 funding: $300,364)

California

$371,750 to Watts Labor Community Action Committee, Los Angeles, to provide job training services and an array of support services to homeless families and individuals in a densely populated suburban area.

* $312,487 to Rubicon Programs, Incorporated, Richmond, to provide business-based employment and training programs and housing assistance, through intensive case management services, to homeless persons in a cooperative effort between Rubicon and the City of Richmond Private Industry Council. (FY '88 funding: $290,000)

$539,130 to San Diego Regional Employment and Training Consortium, San Diego, to provide a flexible interconnected system to help homeless individuals in San Diego County access job training and jobs.

$190,083 to County of Santa Cruz, Santa Cruz, to provide a wide array of training and support services to homeless mentally ill, youth, single mothers with children and single males through a collaborative effort involving county and state agencies.

Delaware

* $460,756 to Delaware Department of Health and Social Services, Division of Alcoholism, Drug Abuse and Mental Health, New Castle, to provide intensive services to homeless adults, minorities, single mothers and children and the mentally ill in New Castle County using a case management approach. (FY '88 funding: $408,000)

District of Columbia

$395,243 to Boys and Girls Clubs of Greater Washington to provide competitive job-readiness and employment training for severely disadvantaged homeless and foster-care youth.

$555,260 to the Home Builders Institute to implement a combined job training/case management approach to meet training and employment needs of unemployed and underemployed homeless men and women over 21 years of age at six sites across the country -- Boston, Nashville, Salt Lake City, Louisville, Erie County (NY) and Chesapeake (VA).

Florida

* $296,528 to Broward Employment and Training Administration, Fort Lauderdale, to promote self-sufficiency for homeless families and youth in Broward County by providing job training and placement along with a case management system in coordination with community agencies. (FY '88 funding: $277,635)

$372,325 to Business and Industry Employment Development Council, Inc., Clearwater, to provide job training services, emphasizing on-the-job training and direct placement, to homeless individuals and families in Pinellas County.

Illinois

$134,550 to Northern Cook County Private Industry Council, Des Plaines, to combine a team approach with a six-week evaluation sequence and post-placement group counseling sessions for homeless persons in Northern Cook County.

Maine

$175,000 to York County Shelters, Incorporated, Alfred, to test the effectiveness of an approach that inculcates work-related values intended to facilitate life-long success in the labor market for homeless residents of York County shelters.

$216,728 to City of Portland, Portland, to develop an outreach capacity for community shelters and agencies to serve homeless individuals including young single adults, single and two-parent families, substance abusers and the mentally ill.

Massachusetts

$582,582 to Education Development Center, Center for Equity and Cultural Diversity, Newton, to collaborate with other service providers in a job training model incorporating individual case management, a social skills curriculum, and experiential learning for women ages 18 and over.

$339,751 to Community Action, Inc., Haverhill, to link homeless individuals in the Greater Haverhill, Newburyport and Amesbury area who frequent the agency's day Drop-In Shelter with employment and housing services, in partnership with private employers.

* $256,691 to Massachusetts Career Development Institute, Springfield, to provide a program of support services which will be coupled with pre-vocational literacy education services, occupational training and job placement and will lead to unsubsidized employment for 115 homeless men and women in Springfield. (FY '88 funding: $140,051)

Minnesota

$600,000 to Hennepin County Bureau of Social Services, Minneapolis, to demonstrate the effectiveness of an intensive case management service for homeless adults, families and youth aged 16-21 from Hennepin County in reducing employment barriers.

New York

$173,500 to Argus Community, Inc., New York, to operate a horticultural facility as a transitional training worksite to provide homeless unemployed mentally ill chemical abusers with essential work-related socialization and employability skills, work history, a resume and references.

$211,330 to Fountain House, Inc., New York, to establish communication with the high-risk mentally ill homeless in New York City through an outreach team. Following successful outreach, participants will be supplied with extensive case management services, housing, and employment opportunities.

$559,610 to The Friends of the Night People, Inc., Buffalo, to provide for transitional housing and targeted job training which will lead to nonsubsidized employment and culminate in the formation of a labor pool to take its place in the private sector.

Oklahoma

$106,845 to HOPE Community Services, Inc., Oklahoma City, to demonstrate a practical method of assisting homeless mentally ill persons in Oklahoma County to secure employment, using innovative methods of vocational rehabilitation.

Tennessee

$222,390 to Knoxville-Knox County Community Action Committee, Knoxville, to demonstrate that employment and training services can be provided successfully to homeless adults, including adults with children, when comprehensive and integrated support services are available and effectively planned and managed.

Virginia

$600,000 to Telamon Corporation, Richmond, to provide outreach, case management and job training to homeless one- and two-parent families and single adults in Richmond, Northern Virginia (Fort Belvoir), Norfolk, and Southwest Virginia (Bishop).

Washington

* $595,000 to Seattle-King County Private Industry Council, Seattle, to develop and implement a comprehensive, institutionalized service system for the homeless by combining many city, state and private resources through a core service management team under the supervision of the YWCA. (FY '88 funding: $527,156)

$97,333 to Private Industry Council of Snohomish County, Everett, to test a hypothesis that prior dislocated worker status of a homeless person or his/her parent is a significant factor in homelessness. Reintegration of homeless individuals and families will be accomplished with a strong housing stabilization component operating parallel to a training and employment component.

News United States Department of Labor

Office of Information Washington, D.C. 20210

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DOLE ANNOUNCES $6.8 MILLION FOR PROJECTS AIDING THE HOMELESS

Twenty-one public and private groups will receive a total of $6,809,000 from the U.S. Department of Labor to operate employment and training projects for the homeless, Secretary of Labor Elizabeth Dole announced today.

"These projects will demonstrate new ways to help the homeless by linking job training with other services such as housing, transportation and child care," Dole said. "They are intended to take innovative approaches to assist the homeless find and keep good jobs."

Authorized by the Stewart B. McKinney Homeless Assistance Act, the one-year grants will go to a variety of public agencies and private nonprofit organizations. The Labor Department's Employment and Training Administration (ETA) will oversee the projects to develop knowledge for future policy decisions on job training for homeless individuals.

Awarded on a competitive basis, the 21 projects selected for funding by ETA were chosen from a total of 293 applications. Nine of the grants will go to groups who received funds for similar projects in 1988, the program's first year of operations.

Groups included in the homeless population to be served by the projects include the chronically mentally ill, substance abusers, homeless families with children, single men, single women, homeless youth and Native Americans. Some projects will focus specifically on one of these groups, but the program as a whole represents the full spectrum of homeless persons in a variety of urban and rural settings throughout the country.

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ETA and the grantees will evaluate the projects, and the Secretary of Labor will submit a report by April 1, 1990 to the President, Congress and the Interagency Council on the Homeless, a federal coordinating group established by the McKinney Act.

A list of the grants follows.

Employment and Training Projects for the Homeless
FY' 1989 Grantees
(* = received FY'88 funding)

California

* $599,549 to the Center for Independent Living, Berkeley, to use a community network approach to consolidate and coordinate services to the homeless. (FY'88 funding: $449,059)

* $263,412 to Step Up On Second, Santa Monica, for a comprehensive vocational reentry project specifically designed to meet the special needs of homeless individuals with psychiatric disabilities. (FY'88 funding: $220,644)

Connecticut

$249,520 to the City of Waterbury for a collaborative effort by public and private organizations providing a case management approach to provide employment and housing to homeless persons.

District of Columbia

* $414,415 to ARCH Training Center, Inc. to coordinate a variety of services to homeless individuals in need of intensive job and training assistance. (FY'88 funding: $249,987)

$250,359 to Jobs for Homeless People, Inc. to provide in-shelter core services, volunteer mentors for one-on-one case management services, and progressive support services.

Illinois

* $331,086 to Elgin Community College, Elgin, to facilitate economic independence among the homeless by establishing a consortium of service providers. (FY' 88 funding: $150,000)

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Kentucky

* $350,548 to Jefferson County Public Schools, Louisville, to provide comprehensive educational, vocational, basic life skills, counseling and other support services to residents of transitional shelters. (FY'88 funding: $279,398)

$505,922 to the Kentucky Domestic Violence Association, Frankfort, to provide on-site training, counseling and support services to residents at six spouse abuse centers.

Minnesota

* $598,495 to the City of St. Paul, Job Creation and Training Section, Community Development Division, Department of Planning and Economic Development, for a project to help homeless persons bridge the gap between street and mainstream cultures. (FY'88 funding: $661,705)

New Jersey

* $600,000 to the Corporation for Employment and Training, Inc., Jersey City, to provide extensive employment and training assistance, including support services, through a multi-agency service delivery system. (FY' 88 funding: $231,409)

New York

$249,506 to the City of New York, Department of Employment, to provide a variety of employment and training services options to homeless teen parents and other youth of homeless families living in city shelters.

$346,147 to the City of New York, Human Resources Administration, to implement a holistic approach to aid homeless residents of 29 shelters operated by the administration.

North Carolina

* $153,184 to the Wake County Job Training Office, Raleigh, for individualized case management employment and training activities for homeless persons 14-years and older, with particular attention to homeless families. (FY '88 funding: $116,815)

Ohio

$187,891 to Friends of the Homeless, Inc., Columbus, to test a training model for providing jobs in construction and home remodeling for homeless persons, including 10% women, 50% minorities and 10% persons in need of supportive services.

-more-

Oregon

$448,207 to South Willamette Private Industry Council, Eugene, for a comprehensive package of services provided by a coalition of agencies for homeless adult offenders, juvenile offenders and non-English speaking individuals.

Pennsylvania

$318,729 to the Mayor's Office of Community Services, Philadelphia, for a coordinated, comprehensive service delivery program aimed at single adult males and designed to decrease the participant's sense of depression, isolation and hopelessness.

Tennessee

$248,580 to the Southeast Tennessee Private Industry Council, Inc., Chattanooga, to provide a wide array of employment and training services accompanied by support services to homeless adults.

Texas

* $254,059 to the Austin/Travis County Private Industry Council, Inc., for a team case management approach designed to use existing community resources to place homeless individuals in employment. (FY '88 funding: $245,104)

$180,000 to the City of San Antonio, Bexar County, for a project providing a continuity of services leading to economic and emotional stability and self-sufficiency.

Virginia

$125,829 to the City of Alexandria to provide homeless single parents with basic skills remediation and employability development in conjunction with case management to increase long-term self-sufficiency and reduce future homelessness.

Washington

$133,562 to the Seattle Indian Center to provide employment and training services with an emphasis on serving Native American and non-Native American single women, both with and without children.

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BUREAU OF APPRENTICESHIP AND TRAINING

Mr. Natcher: Are you planning to eliminate the Bureau of Apprenticeship and Training as a separate organization? If so, why?

Mr. Jones: No, the Department has no plans to eliminate the Bureau of Apprenticeship and Training (BAT). BAT is being maintained as a separate office within the newly-created Office of Work-Based Learning (OWBL), as well as a separate budget activity within the Program Administration account. OWBL is the focal point for many of the Department's top-priority initiatives to improve America's workforce quality. This realignment strengthens, rather than diminishes, BAT's role. This new office, which also administers ETA functions under EDWAA, WARN, and Trade Adjustment Assistance, is headed by the former Director of BAT, Dr. James Van Erden.

JOB CORPS

Mr. Conte: The budget proposes to increase the proportion of nonresidential slots in Job Corps. Please explain this request.

Mr. Jones: The budget proposes to convert 800 slots from residential to nonresidential status. This is being proposed as a measure to make Job Corps more accessible to young women, especially those with dependent children.

Mr. Conte: How did you come up with a $1.6 million savings by shifting 800 residential slots to nonresidential?

Mr. Jones: Those savings are based on the fact that nonresidential slots are, on average, about $2,000 less expensive to maintain on an annual basis. The $1.6 million is a function of $2,000 per slot times 800 slots. The lower costs are attributable to reduced staffing requirements, lower food consumption, and reduced spending for facility maintenance and utilities.

TRADE ADJUSTMENT ASSISTANCE PROGRAM

Mr. Conte: Legislation to eliminate the training and benefits provided under the Trade Adjustment Assistance Program will be introduced later this year because it duplicates other programs of the department. The TAA program serves about 28,000 persons each week. Would anyone who needs assistance not receive it under the proposed arrangement?

Mr. Jones: Dislocated workers will be served by the Economic Dislocation and Worker Adjustment Assistance (EDWAA) program under Title III of the Job Training Partnership Act. Currently there is overlap between the TAA program and EDWAA and some TAA approved training is paid for with EDWAA funds. At the proposed FY 1991 funding level we expect that assistance will be available through EDWAA for those workers adversely affected by trade. Current TAA workload averages about 12,000 workers a week, with about 28,000 workers being served over the course of a year. These workers are eligible immediately for EDWAA assistance upon notice of losing their jobs. In contrast, assistance is delayed under TAA while the Department investigates worker claims that their job loss was due to imports and certifies eligibility for assistance.

SENIOR COMMUNITY SERVICE JOBS PROGRAM

Mr. Conte: You're requesting $342 million for the Community Service Employment for Older Americans program. How many jobs will that $14 million decrease eliminate?

Mr. Jones: The 1991 funding request of nearly $343 million will provide about 56,600 slots, a decrease of 6,600 below the number available in 1990.

Mr. Conte: How will the minimum wage change affect this program for seniors?

Mr. Jones: Since wages (largely at the minimum wage) and related fringe benefits comprise more than eighty percent of costs for the Older Americans program, the annual costs of a slot will increase from the $5,225 budgeted before the increase to $5,652 in PY 1990, beginning July 1, 1990, and $6,061 in PY 1991.

Mr. Conte: Repeatedly we've asked the JTPA service delivery areas to work closer with the national sponsors of the community service employment program. This would get more disadvantaged persons over age 55 into the training programs. What are you doing to promote this type of cooperation?

Mr. Jones: We have done a number of things to encourage both JTPA service delivery areas and community service employment program sponsors under Title V of the Older Americans Act to cooperate in serving older individuals. Changes were made to the JTPA regulations to encourage coordination, and in training sessions on these regulations the necessity for such coordination was stressed. We have recently signed a memorandum of understanding with the Administration on Aging of the Department of Health and Human Services, aimed at improving coordination between JTPA and a range of programs for older individuals. We will continue to stress the need to have JTPA programs work closely with Title V programs.

Instructions have also been sent to Title V sponsors to stress the need for coordination with JTPA. In addition, there have been regional conferences and symposiums to establish increased cooperation and linkages between the programs.

TRAINING

Mr. Conte: Secretary Dole testified that nationally businesses only spend 1.3% of their payroll on training. Much less than is needed in our changing world. What is the Department doing to get business and industry to invest more in training and retraining their workforce?

Mr. Jones: DOL is currently in the process of implementing a seven-point agenda for improving the quality of the U.S. workforce. The initiative includes the following actions: (1) defining skills needed in the workplace; (2) assisting youth in the transition to work; and (3) enhancing the skills of employed workers. The initiative is based upon the assumption that work-based training is a powerful method of instruction for improving work-readiness and the level of skills acquisition.

The Department is in the process of forming the Secretary's Commission on Achieving Necessary Skills (SCANS), a high level Commission of business, labor and education leaders created to define the skills needed in today's workplace. DOL is also planning a research agenda to study the effectiveness of existing training incentives for both employer and employee financed training. Demonstration projects are planned to encourage implementation of the findings. An Advisory Board on Workplace

Training is being formed to help expand the apprenticeship concept to new industries and occupations. This expansion is expected to provide portable credentials to workers who complete the training and ensure the quality of the training programs.

COLLABORATION WITH OTHER FEDERAL AGENCIES

Mr. Conte: Everyone is in the business of helping prepare kids for working. HHS has the Job program. You have a School-to-Work program. A national Literacy Center is being created. The Department of Education supports many programs. To what extent do you all collaborate? Can more be done in this area?

Mr. Jones: We are currently working actively with other Departments on several fronts. We are engaged with the Departments of Education and Health and Human Services in a three-year, multi-million dollar technical assistance effort to help States in the implementation of the new JOBS program. JTPA is currently revising its performance management system, including reporting requirements, in anticipation of statutory changes in JTPA and hopes to better coordinate its activities with JOBS. In doing so, representatives from Health and Human Services and Education have participated in Department of Labor sponsored meetings. These consultations have given both JTPA and JOBS representatives valuable information. As part of this effort, staff are discussing how this technical assistance can promote local efforts to mesh support services, such as child care, with training and education. Another example is the discussion between Department of Labor and Education staff on how to encourage local JTPA offices to secure Pell Grants for JTPA participants in vocational programs that meet Pell requirements. These Pell Grants can help offset living as well as child care expenses.

Many of the Department of Labor's workplace literacy research and demonstration activities are being coordinated jointly with the Departments of Education, Commerce and other Federal agencies. Specifically, Education and Labor will jointly fund a Center for Adult Literacy: a 5-year collaborative effort to improve the quality of literacy and basic skill services, and information sharing and dissemination about what is known on testing instruments, instructional techniques and technologies in adult basic skills. The Center will serve as a bridge between research and practice in the field and will be a resource for both policy makers and practitioners. We are participating, with Education and Health and Human Services, in a congressionally-mandated study about all adult education programs within the Federal government that support literacy, basic skills, English as a Second Language and adult secondary education. We are funding a study to profile the literacy skills of populations served by DOL, in JTPA and the Employment Service, and using these results, develop an Adult Literacy Test that can help local education and job training programs place individuals into existing programs as well as evaluate the amount of learning that occurs.

The Department of Labor has consulted with the Departments of Education and Health and Human Services on a range of issues for promoting collaboration and cooperation among our State and local counterparts. The Department is very interested in collaborative arrangements among human resource development programs. One of the guiding principles of our proposed JTPA amendments is to achieve a comprehensive, coordinated human resource program. The amendments require local JTPA programs to establish linkages with other programs, including job training, education, rehabilitation, and welfare programs, and the Employment Service. We are also working with other agencies to ensure that similar types of linkage and coordination arrangements are included in other human resource legislation.

We have also undertaken a variety of research, demonstration, and technical assistance initiatives relating to coordination. For example, we are currently funding several studies that will increase our knowledge about the types of public and private linkages that exist in our communities for providing training. The Urban Institute recently completed a report on linkages between welfare and employment and training programs at 13 sites across the country that gave us important information on institutional arrangements between the two systems.

JOB CORPS

Mr. Stokes: The administration's FY '91 budget proposes to increase the proportion of nonresidential slots in Job Corps. How much do you plan to increase nonresidential slots? How much do you expect to save by doing this?

Mr. Jones: We propose to convert 800 slots from residential to nonresidential status. This measure would make Job Corps more accessible to young women, especially those with dependent children. Because nonresidential slots are less costly to maintain, this proposal would yield annual savings of about $1.6 million. The lower costs are attributable to reduced staffing requirements, lower food consumption, and facility maintenance and utilities.

Mr. Stokes: How will this impact the number of residential slots? Will the savings ($1.6 million) accrued from increasing the number of nonresidential slots be obtained at the expense of existing residential slots? Do you plan to close dorms and/or eliminate existing training slots?

Mr. Jones: There would be a corresponding reduction of 800 in the number of residential Job Corps slots. However, the number of residential slots will rise by about 500 with the opening of two new centers, so the net effect will be minimized. In proceeding with the conversion process, we would first identify the Job Corps centers that could best utilize additional nonresidential slots. These would necessarily be confined to centers that are located in urbanized areas. We would then determine how many of the existing residential slots at each of these centers should become available to nonresidential participants. As residential corpsmembers graduate, they would be replaced by new nonresidential participants until the conversion target is reached. Dormitory wings or entire dormitories would be closed down or converted to other uses as they are vacated by graduating residential corpsmembers. The conversion process would not eliminate any training slots, only dormitory spaces.

Mr. Stokes: What percentage of women is the Job Corps mandated to serve under the Job Training Partnership Act?

Mr. Jones: JTPA Section 437 (a) requires that "the Secretary shall immediately take steps to achieve an enrollment of 50 percent women in the Job Corps consistent with (1) efficiency and economy in the operation of the program, (2) sound administrative practice, and (3) the socioeconomic, educational, and training needs of the population to be served."

Mr. Stokes: What is the current percentage of females enrolled in Job Corps versus males?

Mr. Jones: Approximately 35% of Job Corps enrollees are women, as of March 7, 1990.

Mr. Stokes: Would you agree that Job Corps would recruit young women more readily if more child care services were available?

Mr. Jones: The availability of child care would certainly enhance our efforts to recruit young women, but there are many other factors which influence our success in attracting young women into the program. These include the effectiveness of outreach efforts, our ability to overcome the higher degree of reluctance by young women to leave home and reside on center, our ability to resolve parental concerns for a safe environment, and the availability of vocational offerings that are attractive to females.

Mr. Stokes: What child care services are available in Job Corps for the 90% of the population that is residential?

Mr. Jones: According to program statistics, less than 7 percent of the residential population has dependent children. For these students, Job Corps helps finance child care costs by providing a $50 monthly child care allotment to enrollees with children on the condition that they match this with an additional $50 per month through reductions in their post-program readjustment allowance. This yields a total monthly child care allocation of $100. Although there are no Job Corps centers with residential child care services at this time, we have taken a number of steps to improve corpsmembers' access to child care services, and have extensive plans in this area.

Over the last three years, we have placed a great deal of emphasis on development of linkages between Job Corps centers and State and local agencies to arrange for provision of child care for Job Corps students, and many centers have been successful in developing formal agreements for child care services. Job Corps centers which have on-center programs or off-center child care available for students indicate that this service enhances their ability to serve young women. We plan to continue efforts to expand the availability of child care through a combination of on-center and off-center programs.

The 1990 budget and 1991 request include some $1.5 million for child care "seed money" to fund costs of equipment and remodeling of child care facilities. We are confident that the funds provided in the 1990 appropriation will result in the availability of child care services at no fewer than five Job Corps centers, possibly more. The funds requested for 1991 will be used to further expand child care services to additional centers.

Mr. Stokes: Are there any plans at this time to begin residential child care/solo parent facilities or services at Job Corps centers?

Mr. Jones: We have extensive plans in this area. The San Diego Job Corps Center will implement a program in 1990 to serve young parents and their children on a residential basis. Following dormitory conversion, a residential solo parent program will also be implemented at the Job Corps center in Denison, Iowa. Plans for the new Job Corps Center in Kansas call for construction of a single parent dormitory and a child development center to accommodate young women and their children. We are also considering similar programs for residential students a the Oneonta and Talking Leaves Job Corps centers as well as the new Job Corps center in Minot, North Dakota.

DISPLACED WORKERS

Mr. Stokes: This morning, the Secretary expressed her concern that the Federal and State Employment Service "is designed for the dynamics of the 1960's -- not the 1990's". She mentioned that she was going to try to improve the efficiency of the employment service. I know the Department is currently assisting Eastern Europe in dealing with the dramatic changes that we have seen take place. Is the Department currently looking at the effect that the changes in Eastern Europe will have on our own economy? I am particularly concerned that our employment services will not be able to handle large numbers of people who may be displaced from the defense industries.

Mr. Jones: While any significant reductions in defense spending are likely to have ramifications in some sectors of the economy, we view the economy as a whole as dynamic and expanding. Programs in every State are ready to respond to worker dislocation whatever the cause. We are already working with the Department of Defense to identify the likely impact of possible spending reductions, and to assist DOD and the States to minimize the negative impact of worker dislocations.

The Department, through the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Program, is ready to help adversely affected communities adjust to DOD base closings. The lead responsibility for helping communities resolve problems caused by base closings rests with the Defense Department's Office of Economic Adjustment. We regularly meet with DOD officials to share information and to ensure that programs administered by the Department of Labor are integrated in the DOD effort.

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Mr. Stokes: Why is the Department requesting a cut of $14 million in the Community Service Employment for Older Americans?

Mr. Jones: At the time decisions were reached on this budget, it was assumed that FY 1990 funding for this program would be $343 million, the $362 million appropriated reduced by the 5.3 percent sequestration in effect at the time. A similar level was to be requested for FY 1991. Subsequent to this decision, reconciliation was enacted reducing amounts sequestered. However, given overall budget constraints, program funding could not be increased.

Mr. Stokes: How many people would be able to participate in this program under the President's budget level? How does this compare with the FY 1990 level?

Mr. Jones: The 1991 funding request will provide about 56,600 slots, a decrease of 6,600 below the number available in 1990.

Mr. Stokes: What was the Department's request to OMB for this program?

Mr. Jones: The 1991 request to OMB for the Older Americans Program was $336 million, the same as the President's 1990 request, which was still awaiting Congressional approval at that time.

JOB CORPS NONRESIDENTIAL SLOTS

Mr. Stokes: Why doesn't the FY 1991 administration budget request include funds to continue the 600 nonresidential slots that exist in Job Corps II programs, specifically at the South Bronx, Philadelphia, New Orleans and St. Louis centers?

Mr. Jones: We have nearly completed our evaluation of the extended training day programs that are being piloted at the South Bronx and St. Louis Job Corps centers. If the evaluations are favorable, the programs will be folded into the regular slot capacities of these two centers at the start of Program Year 1990. If the evaluations are unfavorable, the extended day programs will be discontinued. Either way, these two centers will return to their normal capacity levels by the start of Program Year 1990.

The evaluations of the nonresidential pilot centers in New Orleans and Philadelphia will be completed during Program Year 1990. If the evaluations are favorable, the two centers will receive continued funding in Program Year 1991 through offsetting slot and cost reductions at other Job Corps centers. Otherwise they will be closed at the end of Program Year 1990. In view of constraints on federal spending over the past several years it was never the intent of the Department that the Job Corps II programs result in a net increase to the overall capacity of the Job Corps program.

OFFICE OF WORK-BASED LEARNING

Mr. Early: The Department of Labor established during FY '90 the new Office of Work-Based Learning (OWBL)? What new programs has OWBL undertaken?

Mr. Jones: One purpose for creating OWBL was to provide an identifiable unit to coordinate programs for dislocated workers required by section 322(b) of the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA). OWBL is also conducting an ambitious research and demonstration project agenda, focusing on two high-priority topics: school-to-work transition and work-based learning. The outcome of these demonstration projects is expected to be models that show how schools and business can cost-effectively increase the level and quality of work-based learning.

Mr. Early: What other programs has OWBL assumed in its responsibilities?

Mr. Jones: OWBL has the responsibility for several existing functions including:

- o the activities of the Bureau of Apprenticeship and Training;
- o the dislocated worker programs under EDWAA;
- o the Worker Adjustment and Retraining Notification (WARN) Act; and
- o the Trade Adjustment Assistance (TAA) program.

Mr. Early: What was the amount of funds each of these programs received for FY '90?

Mr. Jones: Of the programs operated by OWBL, only EDWAA and TAA have separate program funding. The only costs of BAT and WARN activities are for Federal staff and related expenses financed through the Program Administration account, ETA's salaries and expenses account. The school-to-work and work-based learning activities are funded principally from the Training and Employment Services account. For FY '90, EDWAA has $463,603,000 and TAA has $78,880,000 in budget authority. In addition, $1,500,000 in FY '90 PA funds was appropriated to conduct demonstration programs to assist youth to enter the world of work.

Mr. Early: What amount of funds will these programs receive under the Administration's request for FY 91?

Mr. Jones: For FY '91, the Administration has proposed to repeal training and benefits under the TAA program and to provide services to trade-impacted workers under the EDWAA program. The Administration's FY '91 request for EDWAA is $400 million. Another $40 million is requested to finance TAA payments to workers receiving benefits during the week of September 30, 1990, until their eligibility is exhausted.

FINANCIAL AND ADMINISTRATIVE MANAGEMENT

Mr. Early: The Office of Information Resources Management (OIRM), which handles acquisition and use of ADP resources for ETA, is requesting a reduction of $524,000 in ADP resources in order to finance their FY '91 pay raise. What effect will this have on current automation projects?

Mr. Jones: The $524,000 reduction will finance ETA's staff pay raise for FY '91. The reduction will have a dual effect. First, the reduction in funding will necessitate a slowdown in planned acquisition of PC/Local area network (LAN) technology (e.g. personal computers and related devices, local area network servers, data communications equipment) which will delay completion of the ETA-wide PC/LAN project. However, OIRM will continue to work to enhance the operation of existing national and regional office LANS. The conversion of existing software systems for operation on ETA's LAN's will continue. Finally, budget constraints will necessitate an extension of the operational life of some segments of ETA's current computer system network (CSN). This network operates on outdated equipment and software and is to be phased out as the PC/LAN systems becomes widely accessible.

Mr. Early: What new initiatives will be curtailed because of this reduction?

Mr. Jones: As previously stated, the reduction will delay completion of the ETA-wide PC/LAN project and concurrent phase out of the CSN.

Mr. Early: How would these new initiatives help ETA?

Mr. Jones: Completion of the ETA-wide PC/LAN project will make available to essentially the entire ETA community a highly standardized, integrated and interconnected computing environment which can provide a broad range of common and shareable office automation facilities, as well as support select programmatic ADP applications. Full operation will permit phase-out of the outdated and costly CSN, and elimination of residual non-standard word processing equipment currently used to handle individual office requirements.

Mr. Early: What amount is needed to fund these new initiatives?

Mr. Jones: Restoration of the $524,000 program decrease would allow ETA to continue these initiatives at the same spending rate as FY 1990. However, ~~given the~~ overall budget situation and the need to defer lower priority activities, wherever possible, these additional funds have not been requested.

TRAINING AND EMPLOYMENT SERVICES

Mr. Early: The Administration is requesting legislation to reorganize Titles II-A and II-B of JTPA into separate programs for adults and youths. Could you give some details on how this proposal will better help the people who are currently served under Title II-A and II-B?

Mr. Jones: We have proposed reorganizing Titles II-A and II-B of JTPA in order to provide better services to the adult and youth populations served by JTPA. The new Title II-B would replace current youth efforts under the Block Grant and Summer programs with a new year-round youth program. We have requested more than $1.7 billion, including a $253 million increase in youth program funding for this new State grant program. Some of the proposed the key changes are:

- **Revised eligibility requirements.** The current program requires that adults and youth be only economically disadvantaged. Under our proposal, one-half of adult participants, and all youth must also face an additional barrier to employment, such as having a skills deficiency, being a teenage parent, homelessness, or being drop-out prone.

- **Enhanced program quality.** All participants must be assessed to determine the specific services they want and need, and an individual service strategy must be designed. More intensive services will be offered, with increased emphasis on the acquisition of basic skills, such as literacy and remediation. Follow-up assistance will be permitted for a year after a participant enters the labor market.

- **Increased accountability.** New procurement guidelines have been issued to ensure program integrity and performance standards for the upcoming two years have been revamped to focus incentives on rewarding longer-term program results.

- **Revised funding formula.** The new formula will target funds to those geographic areas with higher numbers of economically disadvantaged.

These changes build on the basic cornerstones of JTPA that have been key to the program's success in the past six years: strong private sector involvement, state oversight, local flexibility, and coordination with other human resource delivery systems. With these proposed changes, I anticipate that JTPA will be an even stronger program that will continue to successfully educate and train the economically disadvantaged adults and youth and help them become self-sufficient.

Mr. Early: What amount would the administration request for FY '91 to fund the two new programs?

Mr. Jones: The Program Year 1991 request for the Adult Opportunities Program would be $965,500,000. The Program Year 1991 request for the Year-Round Youth Program would be $1,718,952,000.

Mr. Early: How many youths and how many adults will be served during FY '90 under the current Title II programs?

Mr. Jones: Under current legislation, approximately 849,900 new adults and youth participants are expected to be served under the Title II-A Block Grant program during Program Year 1990. It is anticipated that during the summer of 1990 the Title II-B Summer Youth Program will serve 632,700 economically disadvantaged youth of whom about 200,000 also will have participated in the Title II-A program.

Mr. Early: How many youths and adults will be served during FY '91 under the administration's proposal?

Mr. Jones: Under proposed legislation, during Program Year 1991 we anticipate about 370,000 eligible adults to participate in the new Adult Job Training Grant Program and approximately 683,000 economically disadvantaged youth to participate in the new Youth Job Training Grant Program.

Mr. Early: What is the dollar amount per youth and per adult under the current program for FY '91?

Mr. Jones: The Program Year 1991 Block Grant request will serve approximately 849,900 new adult and youth participants at an estimated cost per participant of $2,066. The budget for the Summer Youth Employment and Training Program for calendar year 1991, formulated before minimum wage increases were enacted, would serve 625,000 youth at a unit cost of $1,122.

Mr. Early: What will the dollar amount per youth and per adult be under the administration's proposal for FY '91?

Mr. Jones: Under the proposed legislation, service delivery area participant costs are estimated at $2,555 for the Adult Programs, $2,730 for the In-School Youth Programs, and $2,730 for the Out-of-School Youth Programs.

Mr. Early: If the legislation to reorganize Title II of JTPA does not pass, how will that effect the administration's request for level funding for Title II-A Block Grants (which represents a $43 million reduction from FY '89) and the Summer Youth Employment and Training Program (a $10 million reduction from FY '91)?

Mr. Jones: If the legislation to amend Title II of JTPA does not pass, we would have to reconsider our 1991 request.

Mr. Early: What effect will this have on the people who are served under this program?

Mr. Jones: These new youth programs could not be implemented under existing legislation. In my view, the current level of youth skills related to employer needs represents a potential crisis in the American labor market which must be dealt with now in order to help forestall significant future skills shortages.

It is an imperative that must be addressed. For this reason, it is most important that the administration's legislation be enacted and the related 1991 request be provided.

WORKER READJUSTMENT

Mr. Early: The Administration seeks to consolidate the TAA program (Trade Adjustment and Assistance) into the EDWAA program and reduce their combined FY '91 appropriations by 46.2% from $743.6 million to $400 million. What effect will this have on workers who are currently served under the TAA program?

Mr. Jones: The more general provisions and the far more effective services under EDWAA will accommodate all currently eligible TAA participants, and provide the appropriate mechanism to ensure the delivery of retraining and benefits for trade-impacted workers in the future. The funding request reflects both the Administration's economic projections and its confidence in the national EDWAA delivery system. This system can provide a coordinated and comprehensive response to worker dislocation without unnecessary and costly duplication of effort.

Mr. Early: What effect will this have on workers who are currently served under the EDWAA program?

Mr. Jones: There is no reason to expect that workers currently being served under EDWAA would be affected by the Administration's proposal. However, the extra effort required by the program operators and administrators to ensure coordination among these programs would no longer be necessary.

Mr. Early: How many workers will be served by the TAA program and EDWAA program during FY '90?

Mr. Jones: During FY '90 the Department estimates that 19,600 individuals will be trained under the TAA program and approximately 274,800 new participants will enroll in the EDWAA program during Program Year 1990.

Mr. Early: How many workers will be served in FY '91 under the administration's proposal?

Mr. Jones: Individuals who could have received training under TAA are eligible to receive training through the EDWAA program. The Department estimates that approximately 252,500 new participants will be served by the EDWAA program during Program Year 1991.

Mr. Early: Would all people who currently qualify as participants for TAA and EDWAA qualify as participants under the administration's proposal?

Mr. Jones: Yes. The administration's proposal would repeal the TAA program. No changes are proposed for EDWAA. Thus, all displaced workers--regardless of the reason they are unemployed--are eligible for assistance.

JOB CORPS

Mr. Hoyer: What is the basis for the administration's request of $776.5 million for operations, and how does it compare to the funds actually provided in FY 1990?

Mr. Jones: The amount of operating funds requested for Program Year 1991 is $781.3 million, which breaks down as follows:

Operation of existing centers, basic level..	$771.9
Child care services........................	1.5
Drug abuse prevention enhancement...........	3.3
JTPA linkage economies, cost containments...	-4.6
Nonresidential slot conversions.............	-1.6
Operation of new centers....................	10.8
Total.......................................	$781.3

Not counting the funds to operate the new centers, the 1991 amount for existing centers would be $770.5 million, which is an increase of $31.0 million (or 4.2%) over the 1990 operations budget of $739.5 million.

Mr. Hoyer: How did the Department arrive at the projected $4.6 million savings from the linkage of Job Corps with JTPA training programs, and what exactly are these so-called "linkages"?

Mr. Jones: We project savings based on substantially improved linkages between Job Corps and SDA's operating programs under Title II of JTPA. Proposed JTPA amendments require and promote such new linkages. First, the savings to Job Corps would be in the area of outreach for new enrollees. This is premised on the development of successful working arrangements with SDA's for the referral of substantial numbers of prospective enrollees to Job Corps screening agencies. In addition, savings to Job Corps could be achieved through reductions in screening contractor outlays that would otherwise be budgeted to publicize Job Corps opportunities through local media and staff presentations to community groups.

Mr. Hoyer: Haven't inflation rates for Job Corps been over the OMB estimates, and aren't teacher and staff salaries below market levels?

Mr. Jones: Over the past few years Job Corps operating costs have been increasing at rates higher than inflation rates contained in the Administration's economic assumptions. In fact, our recent budget requests have included above inflation increases. The second part of your question points to the chief reason for these above inflation increases, which is the need to implement salary adjustments at many of Job Corps' contract centers to insure that they can compete for qualified staff in their respective local labor markets. We have been assessing the need for adequate staff salary structures as new competitive contracts for managing Job Corps centers are issued. Our 1991 request contains sufficient funds to ensure salary structures that will attract and retain competent teachers, counselors, residential advisors, nurses, recreation personnel and administrative and support staff.

Mr. Hoyer: What has been the impact of health and other insurance costs on the Job Corps centers?

Mr. Jones: Contractor insurance costs at Job Corps centers have lately been escalating at rates higher than general inflation, especially in the area of health insurance fringe benefits for staff. We have not compiled data, however, that reveals the exact impact of these increases on the Job Corps budget. We base our budget estimates for future years mainly on the gross amounts of recent competitive contract awards, in which insurance costs are subsumed within other categories of operating expenses.

Mr. Hoyer: The student living and readjustment allowances have fallen approximately 35% in purchasing power since 1982. The justification lists modernization of the student pay and allowance system as a priority for 1990. I would like you to describe in more detail precisely what the purpose of these allowances is and how they work.

Mr. Jones: Following is a report that provides the requested information.

JOB CORPS ALLOWANCE AND LEAVE SYSTEM

A. THE NEED FOR ALLOWANCES

Cash allowances are provided by the Job Corps to remove barriers that would otherwise make it extremely difficult for members of the target population to participate. Job Corps is designed as a year round residential training program for economically disadvantaged young people ages 16 to 21. Enrollees receive room, meals, and medical and dental care. Job Corps delivers training and education on a fulltime basis and participants are not expected to hold jobs while enrolled.

Since residents have no source of outside income, Job Corps provides participants with cash allowances for toiletries and other amenities without which participation would be very difficult. Other immediate barriers to enrollment are addressed through the provision of clothing allowances and allotments for dependent care. A savings plan called a readjustment allowance has also been established to create an incentive for members of the program to remain in the program until their training is completed and to provide some degree of independent support while recently graduated students await their first pay checks.

B. CURRENT ALLOWANCE STRUCTURE

1. LIVING ALLOWANCES

All students start with an initial monthly living allowance of $40. From then on, the monthly rates depend upon the participant's length of stay. The student's pay is disbursed semi-monthly.

DAYS IN PROGRAM	MONTHLY AMOUNT
0 to 60	$40
60 to 180	$60
181 plus	$80*

*Students are eligible for merit pay levels of $90 and $100 after 180 days in the program.

2. CLOTHING ALLOWANCES

Cash clothing allowances provide a partial means of supplying enrollees apparel. Job Corps Bulletin No. 84-24 sets the civilian clothing allowance at $317.00 for the first year and $103.00 for the second year. The disbursal of the allowances has been set to a schedule that is illustrated below.

DAYS IN PROGRAM	AMOUNT
30 to 60 days	$75
60 to 90 days	$50
3 to 9 months	$96
9 to 12 months	$96
TOTAL 1ST YEAR	**$317**
14 to 15 months	$51
16 to 18 months	$52
TOTAL 2ND YEAR	**$103**

3.ALLOTMENTS FOR DEPENDENTS

At the time of recruitment, the screening agency determines if participants are entitled to have a portion of their allowance sent home as allotment for dependent care. Allotments can range from $20 to $100 per month, with half contributed by the student and half given by the Department of Labor. The enrollee's share is deducted from his/her readjustment allowance upon termination from the program. When necessary for payment of child care prior to receipt of the initial allotment check, the center may advance the first payment from the petty cash or imprest fund.

4. READJUSTMENT ALLOWANCES

A readjustment allowance is paid to eligible enrollees upon termination from the program. To qualify, enrollees must either have remained in the Job Corps for 180 or more days; or have been vocational completers with at least 90 days in; or have entered directly into the armed forces. The amount of the readjustment allowance depends on length of enrollment and is reduced by any student contribution to an allotment and/or by any other outstanding charges.

This readjustment allowance is intended to help recently graduated participants meet immediate expenses such as: the costs of further education or employment, wardrobe costs, rental security deposits, to make the down payment on an automobile, or to meet other similar needs.

The amounts of readjustment are based on the number of months spent in the program and are computed according to the schedule shown below.

MONTHS IN PROGRAM	READJUSTMENT AMOUNT
1 to 6	$75 per month
7 to 9	$75 per month for first six months plus $100 per month for additional months
10 TO 24	$100 per month for all months*

* Readjustment allowance for 24 months of enrollment would therefore be $2,400.

Mr. Hoyer: Is the readjustment allowance adequate in view of the costs a young graduate will likely face, and, if not, what does the Department hope to accomplish in 1990 and what follow-on activities are anticipated in the budget request for FY 1991?

Mr. Jones: While it is true that the purchasing power of readjustment allowances has eroded, the sum of $2,400 for a student who remains enrolled for two years represents a considerable resource to assist in the progression to an independent livelihood as a wage earner. Such allowances are not available to youth participating in other JTPA training programs. The 1990 modernization effort discussed in our budget request has to do with greater use of ADP technology in the logistical aspects of the system. In regard to Program Year 1991, we will review possibilities for refining the structure of the allowances, but overall constraints on federal spending prevent us from requesting a net increase in expenditures for student allowances.

Mr. Hoyer: A major problem in recruiting women into Job Corps is child care for single mothers. What percentage of women under the JTPA should be participating in Job Corps and how many are actually involved at this time?

Mr. Jones: JTPA Section 437 (a) requires that "the Secretary shall immediately take steps to achieve an enrollment of 50 percent women in the Job Corps consistent with (1) efficiency and economy in the operation of the program, (2) sound administrative practice, and (3) the socioeconomic, educational, and training needs of the population to be served." As of March 7, 1990, approximately 35% of Job Corps enrollees were young women.

Mr. Hoyer: How much of the FY 1990 appropriation is to be spent on child care and how will these funds be used?

Mr. Jones: In 1990, a $1.5 million program enhancement was appropriated for child care services. These funds, as well as the $1.5 million being requested for 1991, will be used as seed money and are not intended to be a permanent source of financing for child care services at Job Corps centers. These funds will be used mainly to cover one-time costs for such items as equipment and remodeling. Financing for the ongoing costs of staffing and operating the childcare facilities will be sought through linkages with appropriate State and local programs.

We are confident that the funds provided in the 1990 appropriation will result in the availability of child care services at no fewer than five Job Corps centers and most likely more. The funds requested for 1991 will be used to further expand child care services to additional centers.

Mr. Hoyer: What plans have been made to examine the possibility of providing child care for the 90% of the population that is residential?

Mr. Jones: We have extensive plans to improve access to child care services for the 7 percent of residents who have dependent children. The San Diego Job Corps Center will implement a program in 1990 to serve young parents and their children on a residential basis. Following dormitory conversion, a residential solo parent program will also be implemented at the Job Corps center in Denison, Iowa. Plans for the new Job Corps Center in Kansas call for construction of a single parent dormitory and a child development center to accommodate young women and their children. We are also considering similar programs for residential students at the Oneonta and Talking Leaves Job Corps centers as well as the new Job Corps center in Minot, North Dakota.

Mr. Hoyer: I understand that the budget contains funds for substance abuse testing and counseling as well as continued funding for the child care initiative funded in FY 1990, but I am concerned that this support for innovative program directions is too ad hoc. Is there any typical percentage of a program budget that is allotted to research and development, and, if so, how is this issue handled with respect to the Job Corps where so much of the attention ought to be and is on direct services? Is there a percentage of the budget set aside for staff and teacher training, curricula development, etc?

Mr. Jones: Each year's budget for Job Corps typically contains about $3 million for the development and testing of new curricula and teaching materials. These activities are usually accomplished by work groups comprised of Job Corps teachers, counselors and managers. This approach, which can be contrasted to reliance on outside experts and consultants, has yielded very good results over the past several years. For example, Job Corps vocational offerings have been modernized and restructured into a competency based format. Both the reading program and the GED preparation program have been updated. Efforts are now underway to overhaul the entire basic education program through the development of competency based curricula. Further efforts are being undertaken to prepare a new social skills development curricula.

With regard to training for teachers and other staff, each Job Corps center has a budget to cover the costs of sending teaching and management staff to conferences where new curricula are being introduced. In Program Year 1988, for example, the overall cost of center staff travel and training for these and other purposes was approximately $5.2 million.

Finally, the program enjoys the advice and counsel of the Job Corps Advisory Committee, which studies and makes recommendations concerning all matters involved in the operation of Job Corps training centers and other closely related activities.

Mr. Hoyer: What is the basis of the $36.7 million for construction and rehabilitation of centers, and could you go into a little more detail about the 5-year plan that was mentioned this morning?

Mr. Jones: The 1991 request covers repairs and renovations at existing Job Corps facilities. It does not cover the costs of any further center relocations.

The amount of the request is based on a simple inflationary adjustment to the level appropriated for existing facilities in 1990 plus a $1 million enhancement to correct environmental problems, such as asbestos abatement, PCB removal, and the removal of underground storage tanks at Job Corps facilities to comply with EPA standards.

The amount being requested equates to roughly 4% of the total replacement value of the Job Corps physical plant, which is intended to correspond to the 25-year useful life cycle applicable to typical Job Corps structures. The 1991 budget request is also intended to cover about one-fifth of the improvements and corrections that are catalogued at in the 5-year Job Corps capital plan.

The capital funding reflected in our annual budget requests is needed for rudimentary but urgent facility requirements. Most of the funding is used to keep pace with and correct normal wear and tear. As age and hard use take their toll on Job Corps centers, the budget for existing facilities is used to repair and replace mechanical systems and deteriorated structures. The base level budget is also used to remedy deficiencies at Job Corps centers such as lack of recreational facilities.

The identification of capital funding requirements is accomplished through a rigorous facility survey process wherein each Job Corps center is visited by a team of architects and engineers once every two or three years. The needs of each center are noted in detail and are catalogued in a computerized data base that includes cost estimates for each item and a recommendation as to what year, within the next five years, the item should be funded. This is a dynamic, ongoing process. As deficiencies that were noted in earlier surveys are corrected, subsequent surveys will reveal or take note of further deterioration and damage that has occurred in the meantime. At any given point in time, the aggregate five-year funding requirement listed in the set of most current facility survey reports fall in the range of $200 million.

The data developed from these facility surveys is used as the basis for the Department's yearly allocation of funds for specific renovations and construction projects. The process by which the various projects and deficiencies are prioritized and selected for funding in a given year involves collaboration and input by architectural and engineering staff along with program managers at all levels of the Job Corps system. The detailed facility construction and rehab budget that results from this process is then reviewed and cleared with top management within the Employment and Training Administration.

Mr. Hoyer: Are there Job Corps centers that need to be relocated, and can you explain why there was no request for Job Corps relocations in the FY '91 budget? What is the status of the centers that were targeted for relocation last year and what are the plans for this year?

Mr. Jones: The 1990 appropriation provides $14.8 million for Job Corps center relocations. This amount will be sufficient to relocate two or three of the approximately eight centers targeted for relocation. The Department has not net determined the specific centers that will be affected. The criteria that will be used in making these selections are listed in priority order below.

Priority 1: Unsafe or hazardous environments which cannot be remedied economically.

Criteria: Unsound structures. Asbestos or other hazardous substances.

Priority 2: Inability to renew expiring lease.

Criteria: Firm refusal from landlord to extend lease beyond current expiration date. Inappropriate to use federal leasehold condemnation proceedings.

Priority 3: Inadequate learning environments.

Criteria: Inflexible space configurations. Inadequate space with no potential for expansion. Detrimental neighborhood environment. Relocation cost. Interim repair costs/alternative renovation costs. Competing community demands. Facilities in multiple locations.

Overall constraints on federal spending have led us not to request funding for center relocations in the 1991 budget.

EMPLOYMENT AND TRAINING ADMINISTRATION

Mr. Roybal: Both the House and Senate Labor-HHS appropriations reports clearly indicated the desire of the Congress that the Department of Labor implement the job creation demonstration authorized in section 324(a)(4) of JTPA. What is the status of this demonstration? When can we expect the Department to issue a notice of the availability of funds for this program?

Mr. Jones: The Department is currently consulting with the Office of Community Services in HHS about their experience in similar job creation demonstrations. We expect the solicitation for grant award to be issued this summer for award in PY 1990.

Mr. Roybal: For the funds available for these demonstrations, please provide the committee with the allocation of funds for each program authorized.

Mr. Jones: At least ten percent of the PY 1989, PY 1990 and PY 1991 EDWAA National Reserve funds are to be used for demonstration projects under section 324. We have not yet determined the allocation of these funds. A public works demonstration is being implemented with PY 1989 funds. A dislocated farmer demonstration will be implemented with PY 1989 funds and possibly continued with PY 1990 funds. A job creation demonstration using PY 1990 funds is also being planned. Final allocations of PY 1989 funds will be available by June 30, 1990, and we will provide them to the committee at that time.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

Mr. Roybal: The Administration proposes for FY 1991 a $14.2 million cut in the Senior Community Service Employment Program (SCSEP). How many low income senior citizens does the Department of Labor project will lose their community service jobs as a result of the proposed cuts in this program?

Mr. Jones: While the decrease in the 1991 funding level will translate into a decrease in slots of 6,600 below the number available in 1990, no participant would lose a job due to the decreased funding level. Rather, as attrition occurs, there will be fewer new job openings available.

Mr. Roybal: Elderly participants of the Senior Community Service Employment Program are among the most disadvantaged individuals in our society -- in terms of economic status and educational attainment. What will happen to those low income senior citizens who will lose their community service jobs due to the Administration's proposed spending cuts? Will they be able to obtain jobs in the private sector or will they be forced to go on public assistance rolls? How long, on average, do you anticipate it will take these low-income seniors to find other employment? In what specific industries do you expect these seniors to find employment?

Mr. Jones: No individuals will lose their SCSEP jobs because of the reduced spending. The reduction will be accommodated through attrition and not filling vacancies of persons who leave the program to take other jobs, or who leave for other reasons. During the last program year alone, 15,000 people were placed from the program into unsubsidized jobs. This number is substantially more than the 6,600 slot loss anticipated from the FY 1991 slot level.

Mr. Roybal: Can you provide an estimate of the increased costs in FY 1991 and 1992 that will result in the federal public assistance programs due to the Administration's proposed reduction of senior community service jobs? Will the increased costs in public assistance programs offset the savings obtained by cutting senior community service jobs?

Mr. Jones: We do not believe that any enrollees will lose their jobs because of the proposed reductions. Since we do not maintain data on the sources of enrollee and applicant income, we are not able to provide estimates on the increase, if any, in federal public assistance programs because fewer older workers will participate in this program. Please remember that program participants were not necessarily recipients of assistance prior to their enrollment. On the other hand, some enrollees continue to benefit from certain Federal programs even while they are in the program. Also, many of these workers who participate in this program will locate unsubsidized employment on their own.

Mr. Roybal: As you are aware, SCSEP participants are paid no less than the federal or state minimum wage or the local prevailing rate of pay for similar employment, whichever is higher. In making the FY 1991 funding decision for the SCSEP, did the Administration take into account the increase in the Federal hourly minimum wage which will occur in 1990 and 1991, and its impact on program cost? Won't costs of the program increase significantly as a result of the federal minimum wage increase? Why doesn't this warrant an increase in funding for SCSEP as opposed to the substantial decrease as proposed by the Administration?

Mr. Jones: For planning purposes, we have taken into account the step increases in the minimum wage that will occur in 1990 and 1991. As a result, the program costs are projected to increase significantly. The current unit cost (the average cost of one position for one year) is $5225; for the program year that begins on July 1, the unit cost will be $5652; for the 1991 program year it will be $6061. These unit cost adjustments were made solely to accommodate the minimum wage increases.

The proposed FY 1991 appropriation request is based on budget constraints that impact all Departmental programs without regard to the minimum wage increases.

Mr. Roybal: What is the projected impact of the federal minimum wage increases on the FY 1990 program costs of the SCSEP? Is there sufficient funding for FY 1990 to maintain the current number of positions in the SCSEP? How many positions will be lost if the current FY 1990 funding level remains unchanged?

Mr. Jones: Since wages (largely at the minimum wage) and related fringe benefits comprise more than eighty percent of costs for the Older Americans program, the annual costs of a slot will increase from the $5,225 budgeted before the minimum wage increase to $5,652 in PY 1990, beginning July 1, 1990.

The 1990 appropriation of $357,013,000 is an increase of $13,189,000 above the amount available in 1989. This funding level will provide about 63,200 slots, a decrease of 2,600 below the number available in 1989, at an average unit cost of $5,652, which reflects the increase in the minimum wage effective in Program Year 1990.

Mr. Roybal: In view of the fact that there are high rates of poverty among minority populations, what is the participation rate of minority older workers in the Title V/Senior Community Service Program?

Mr. Jones: All participants in the SCSEP are "low income" which is defined as being below 125% of the Federal poverty level. The minority participation is approximately 37% of all program participants.

Mr. Roybal: Please provide a breakdown by minority groups of older persons participating in Title V. Also provide a breakout of minority older persons served by each of the national sponsors.

Mr. Jones: The information that I am providing is for the period ending June 30 1989, the last complete program year. The participation in the total program by minority groups is as follows:

Black 23.3%, Hispanic 8.8%, Indian 1.6%, Asian/Pacific 3.1%.

The individual national sponsors' statistics are:

The National Urban League: Black 68.5%, Hispanic 12.9%, Indian 1.1%, Asian/Pacific 2.5%.

Green Thumb: Black 11.2%, Hispanic 3.5%, Indian 1.8%, Asian/Pacific .2%.

United States Forest Service: Black 11.1%, Hispanic 7.5%, Indian 3.1%, Asian/Pacific .4%.

National Council of Senior Citizens: Black 30.1%, Hispanic 6.5%, Indian .6 %, Asian/Pacific 3.9%.

American Association of Retired Persons: Black 26.9%, Hispanic

12.5%, Indian 1%, Asian/Pacific 1.6%.

National Council on the Aging: Black 25.7%, Hispanic 10%, Indian 2.6%, Asian/Pacific 3.7%.

National Center on Black Aged: Black 77.1%, Hispanic 1.9%, Indian .2%, Asian/Pacific .4%.

National Association of Hispanic Elderly: Black 7%, Hispanic 74.2%, Indian 1.6%, Asian/Pacific 2.7%.

Mr. Roybal: How does the percentage of minority older workers served by Title V compare to the rates of poverty among these minority groups?

Mr. Jones: According to the 1980 census there were over eight million people who met the age and income eligibility criteria for the SCSEP. About one quarter of these people were members of a minority group. This breaks out as follows: Black 19%, Hispanic 5%, Indian 1%, and Asian/Pacific 1%.

The SCSEP serves, as we mentioned above, about 37% minority of which Black are 23.3%, Hispanic 8.8%, Indian 1.6%, and Asian/Pacific 3.1%.

Mr. Roybal: Does the Department of Labor consider these minority participation rates to be satisfactory?

Mr. Jones: Yes. Based on this data, the program is providing opportunities to the eligible minority population in an appropriate proportion.

Mr. Roybal: Two national sponsors were added to serve the Pacific Asian and American Indian communities. Is the funding received by these two new sponsors higher or lower than funds received by the other similar sponsors? If lower, how do you plan to achieve parity among the sponsors?

Mr. Jones: These two organizations are still in their first year of operation, and it is inappropriate to make judgments about their future funding until they have demonstrated their capability to successfully operate a project. Their funding is lower than that of the other minority sponsors. The future funding of these organizations will depend on such factors as their performance and the availability of funds.

MIGRANT AND SEASONAL FARMWORKERS

Mr. Roybal: Is it correct to say that the Administration's appropriations levels are based upon documented workers counted in the 1980 Census? If yes, what is this number?

According to a USDA report, it is estimated that more than two-thirds of farm workers were not counted in the 1980 census. Also, it is my understanding that the 1980 census figures do not include an estimated 1.2 million farmworker dependents. In addition, it is expected that 75% of the 1.3 million agricultural workers who were legalized under IRCA are likely to be eligible for the Section 402 program.

Mr. Jones: The Administration's farmworker program appropriation levels are statutorily set at 3.2 percent of the amount appropriated by Congress for JTPA Title II-A programs.

The formula for allocation of the appropriated funds is based on the 1980 Census of the Population. The decennial census counted 462,153 persons whose occupation, income and geographic location (States with minimal farmworker populations and U.S. Trust Territories are excluded) made them eligible for Section 402 services.

Mr. Roybal: Given that the eligible farmworker population has increased significantly, how does the Department reconcile a budget proposal to reduce the program by $13.132 million less than the fiscal year 1990 appropriations level? Has the Department considered updating the numbers on which the appropriation request is made to reflect today's realities?

Mr. Jones: The Department has consistently proposed Section 402 program budget levels at 3.2 percent of Title II-A ($57.209 million in FY 1990) for each fiscal year. In 1988 and 1989 Congress added funds beyond those statutorily required by JTPA. The Department has not proposed a reduction of its statutorily mandated request level.

The Department has considered a variety of ways of updating the count of farmworkers for purposes of allocating these funds among the States. Unfortunately, there is no reliable enumeration which provides the needed data elements by occupation and income except the decennial census.

After the enactment of IRCA, the Department began to use the Immigration and Naturalization Service (INS) count of Special Agricultural Worker (SAW) applicants for State allocations, even though these data provide no income information, as a rough estimate of the number of additional potentially eligible Section 402 farmworkers. The Department intends to wait until 1990 census data is available to update the eligible farmworker population count. That census will assist in establishing whether many of the 1.2 million who applied for SAW legalization are in fact working in agriculture and will identify the State in which they reside.

Mr. Roybal: If the number of eligible farmworkers is actually 2.6 million (462,153 + 1.2 million dependents + 975,000 IRCA workers) how much additional funding would be needed to serve this population?

Mr. Jones: Funding requests are based on the JTPA statutory percentage and not the numbers of eligible workers. If IRCA workers have increased the total eligible population by some percent since the enactment of JTPA then the statutory set-aside would have to be comparably increased to maintain the same funding per eligible individual.

Mr. Roybal: What is the average amount spent on each Section 402 participant? Is this amount the same in every state? If not, which states are higher and which states are lower?

Mr. Jones: In Program Year 1988, per capita farmworker outlays were $1,171. However, a more appropriate measure of spending is the Cost per Entered Employment (C/EE), which measures the level of expenditures associated with the Section 402 program's primary function -- placement of farmworkers into unsubsidized employment. In Program year 1988, the national average C/EE was $3,558. This amount is not the same in every State, as the table below indicates:

Five Year C/EE Averages (1984-88)

C/EE $5,000+:	Illinois Indiana Nebraska Ohio Puerto Rico Washington
C/EE Between $4,000-$4,999:	California Delaware Maine Michigan Minnesota New Hampshire New York North Dakota Pennsylvania Oregon Utah West Virginia Wisconsin Wyoming
C/EE Between $3,000-$3,999:	Alabama Arizona California Connecticut Florida Georgia Iowa Idaho Louisiana Maryland Massachusetts Mississippi Montana

Nevada
New Jersey
North Carolina
Oklahoma
South Carolina
South Dakota
Texas
Vermont

C/EE Under $3,000:

Arkansas
Colorado
Hawaii
Kansas
Kentucky
Missouri
New Mexico
Tennessee
Virginia

Mr. Roybal: Recent immigration legislation has and will limit the availability of undocumented workers for agricultural employment. Would the Department agree that additional funds for agricultural skills upgrading for eligible farmworkers and outreach and referral of seasonal farmworkers for agricultural employment is needed to insure an adequate supply of skilled domestic farm workers?

Mr. Jones: Reductions in the availability of undocumented workers would not necessarily mean that there would be a corresponding decrease in the skills of the domestic workforce that could be used as replacements for undocumented workers. Therefore, the Department does not believe that additional funds are needed for agricultural skills upgrading. Instead, it believes that overall improvements in agricultural employment should be made to make farmwork more attractive to the available workforce.

NATURAL DISASTERS

Mr. Roybal: Natural disasters have impacted the migrant and seasonal farmworker population on a regular basis. Earthquakes, hurricanes, freezes, droughts, floods, and crop infestations are examples. Would the Department agree that the Secretary should have the discretion to redirect as necessary, a portion of Title III funds for the purpose of disaster assistance for agricultural workers utilizing the expertise of the Section 402 grantees.

Mr. Jones: Under the Title III program, the State JTPA Agency is the grant recipient and, in turn, allocates subgrants within the State. The Title III application procedures include special provisions for emergency funding in the case of worker dislocations as a result of a natural disaster. We believe that we have a system in place which allows Governors the flexibility to select the subgrantees that can most effectively address a particular local problem. The Section 402 grantees are one group of eligible subgrantees that may be called upon to operate programs or may initiate proposals to serve their JTPA clientele in the event of a natural disaster. For example, of the 13 States awarded discretionary Title III grants as a result of the summer 1988 drought, 8 chose to subgrant with Section 402 grantees.

JUSTIFICATION OF THE BUDGET ESTIMATES

EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

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EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

For expenses of administering employment and training programs, [$64,693,000] *$66,480,000* together with not to exceed [$53,817,000] *$54,301,000* which may be expended from the Employment Security Administration account in the Unemployment Trust Fund. *(8 U.S.C. 1184; 19 U.S.C. 2271-2321; 29 U.S.C. 49-491-1, 50, 1501 et seq.; 42 U.S.C. 502-504, 2000-2000d-4, 3001 et seq.; Department of Labor Appropriations Act, 1990).*

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation....	1,042	$70,779,000	931	$64,693,000	915	$66,480,000
Comparative transfer to: WCF: DOL Academy..	-1	--	-1	--	--	--
Comparative transfer from: Departmental Management.........	--	173,000	--	--	--	--
Ceiling Adjustment for Departmental Management.........	-1	-62,000	-1	-64,000	--	--
Subtotal, appropriation (adjusted).........	1,040	70,890,000	929	64,629,000	915	66,480,000
Offsetting collections from: Trust fund limitation...............	711	48,320,000	797	53,817,000	778	54,301,000
Reduction pursuant to P.L. 99-177........	--	--	-1	-703,000	--	--
Subtotal, trust fund limitation (adjusted)..........	711	48,320,000	796	53,114,000	778	54,301,000
B. Total Available Budget Authority..	1,751	119,210,000	1,725	117,743,000	1,693	120,781,000
C. Total, estimated obligations.......	1,751	119,210,000	1,725	117,743,000	1,693	120,781,000

SUMMARY OF CHANGES

	1990	1991	Net Change
Budget authority:			
General Funds	$64,629,000	$66,480,000	+$1,851,000
Trust Funds	53,114,000	54,301,000	+1,187,000
Total	117,743,000	120,781,000	+3,038,000
Full-Time Equivalent:			
General Funds	929	915	-14
Trust Funds	796	778	-18
Total	1,725	1,693	-32

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
Explanation of Change:						
Increases:						
A. Built-In:						
Net cost of within grade promotions effective in 1991	--	+$175,000	--	+$342,000	--	+$517,000
To provide for increased costs of merit pay	--	+101,000	--	+168,000	--	+269,000
To provide for one additional day of pay in 1991	--	+114,000	--	+208,000	--	+322,000
Annualization of pay increase effective January, 1990	--	+318,000	--	+561,000	--	+879,000
Pay increase effective January, 1991	--	+915,000	--	+1,731,000	--	+2,646,000
To provide for increased costs of bonuses	--	+5,000	--	+6,000	--	+11,000
To provide for increased costs related to contributions to Federal Employees' Compensation Fund	--	+17,000	--	+16,000	--	+33,000

SUMMARY OF CHANGES (continued)

To provide for increased costs in personnel benefits..	--	+366,000	--	+651,000	--	+1,017,000
To provide for increased non-personnel service costs:						
Travel...............	--	+53,000	--	+114,000	--	+167,000
Transportation......	--	+2,000	--	+3,000	--	+5,000
Rent.................	--	+165,000	--	+198,000	--	+363,000
Communications......	--	+12,000	--	+53,000	--	+65,000
Printing............	--	+3,000	--	+15,000	--	+18,000
Administrative support services (WCF)...............	--	+152,000	--	+173,000	--	+325,000
Other services......	--	+218,000	--	+263,000	--	+481,000
Supplies............	--	+16,000	--	+22,000	--	+38,000
Equipment...........	--	+ 9,000	--	+16,000	--	+25,000
Total Increase........	--	+2,641,000	--	+4,540,000	--	+7,181,000
Decreases:						
A. Program:						
To provide for a reduction in staff in the Office of Employment Security (1990 Base: 178 FTE; $14,272,000 Budget Authority)..........	-5	-402,000	--	--	-5	-402,000

SUMMARY OF CHANGES (continued)

To provide for a reduction in staff in Financial and Administrative Management (1990 Base: 299 FTE; $25,921,000 Budget Authority)..........	-3	-196,000	-4	-285,000	-7	-481,000
To provide for a Regional Office reduction in staff (1990 Base: 580 FTE; $38,592,000 Budget Authority)..........	-10	-594,000	-4	-257,000	-14	-851,000
To provide for a reduction in staff in the Bureau of Apprenticeship and Training (1990 Base: 245 FTE; $16,492,000 Budget Authority)......	--	--	-4	-323,000	-4	-323,000
To provide for a reduction related to one-time costs for Apprenticeship pilots and demonstrations (1990 Base: 2 FTE; $1,562,000 Budget Authority)..........	--	--	-2	-1,562,000	-2	-1,562,000
To provide for a reduction in ADP costs (1990 Base: -- FTE; $5,238,000 Budget Authority)..........	--	-262,000	--	-262,000	--	-524,000
Total Decrease..........	-18	-1,454,000	-14	-2,689,000	-32	-4,143,000
Total Change..........	-18	+1,187,000	-14	+1,851,000	-32	+3,038,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable		1990 Appropriation		1990 Estimate 1/		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority applied to General Funds:										
1. Job training programs	320	$19,997,000	293	$18,540,000	293	$18,540,000	293	$19,834,000	--	+$1,294,000
2. Employment security	14	937,000	5	442,000	5	442,000	5	464,000	--	+22,000
3. Financial and administrative management	180	16,840,000	175	14,243,000	174	14,056,000	170	14,330,000	-4	+274,000
4. Executive direction and administration	53	3,456,000	57	3,683,000	57	3,806,000	57	4,283,000	--	+477,000
5. Regional operations	226	16,047,000	156	12,268,000	155	12,268,000	151	12,962,000	-4	+694,000
6. Apprenticeship services	247	13,613,000	245	15,517,000	245	15,517,000	239	14,607,000	-6	-910,000
Subtotal	1,040	70,890,000	931	64,693,000	929	64,629,000	915	66,480,000	-14	+1,851,000
Budget Authority applied to Trust Funds:										
1. Job training programs	--	--	--	--	27	2,057,000	27	2,170,000	--	+113,000
2. Employment security	167	14,722,000	200	15,289,000	173	13,032,000	168	13,406,000	-5	+374,000
3. Financial and administrative management	125	9,298,000	125	10,807,000	125	10,544,000	122	10,586,000	-3	+42,000
4. Executive direction and administration	46	2,777,000	47	3,014,000	46	3,097,000	46	3,360,000	--	+263,000
5. Regional operations	373	21,523,000	425	24,707,000	425	24,384,000	415	24,779,000	-10	+395,000
Subtotal	711	48,320,000	797	53,817,000	796	53,114,000	778	54,301,000	-18	+1,187,000
Total Budget Authority	1,751	119,210,000	1,728	118,510,000	1,725	117,743,000	1,693	120,781,000	-32	+3,038,000

1/ Included in the 1990 Estimate above:

Reduction pursuant to P.L. 99-177 .... -$703,000 and -1 FTE

Ceiling Adjustment for Departmental Management .... -$64,000 and -1 FTE

Comparative transfer to WCF: DOL Academy .... $0 and -1 FTE

Comparative transfer of Trade Adjustment Assistance program from Employment Security to Job Training Programs .... $2,057,000 and 27 FTE

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions	1,753	1,725	1,693	-32
Full-time equivalent:				
Full-time in permanent positions	1,698	1,695	1,663	-32
Other positions	30	30	30	--
Total	1,728	1,725	1,693	-32
Average ES salary	$78,097	$78,097	$95,097	+$17,000
Average GM/GS grade	11.00	11.00	11.00	--
Average GM/GS salary	$40,897	$40,897	$42,741	+$1,844
Personnel compensation:				
Permanent positions	$70,869,000	$70,513,000	$74,361,000	+$3,848,000
Positions other than permanent	1,146,000	1,187,000	--	-1,187,000
Other personnel compensation	848,000	1,048,000	1,059,000	+11,000
Subtotal, personnel compensation	72,863,000	72,748,000	75,420,000	+2,672,000
Personnel benefits	11,661,000	12,217,000	13,706,000	+1,489,000
Benefits for former personnel	45,000	45,000	45,000	--
Travel and transportation of persons	3,979,000	3,975,000	4,041,000	+66,000
Transportation of things	118,000	127,000	132,000	+5,000
Space rental	9,068,000	9,150,000	9,503,000	+353,000
Communications, utilities, and other rent	1,818,000	1,546,000	1,572,000	+26,000
Printing and reproduction	423,000	423,000	441,000	+18,000
Other services	15,812,000	16,003,000	14,710,000	-1,293,000
Supplies and materials	887,000	910,000	886,000	-24,000
Equipment	1,834,000	597,000	323,000	-274,000
Insurance claims and indemnities	2,000	2,000	2,000	--
Total, budget authority by object	118,510,000	117,743,000	120,781,000	+3,038,000
Working Capital Fund obligations included above	(7,330,000)	(7,626,000)	(7,627,000)	(+1,000)
Advisory and Assistance Services included above	(40,000)	(40,000)	(40,000)	(--)
Federal Employees' Retirement System contributions included above	(2,726,000)	(2,980,000)	(4,091,000)	(+1,111,000)

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to be Taken
1990 House Report (No. 101-172)	
No specific actions recommended.	
1990 Senate Report (No. 101-127)	
Apprenticeship Services	
"An additional $3,000,000 above the President's request has been included in Apprenticeship Services for activities related to expansion of the apprenticeship concept of training to nontraditional occupations applicants... The Department shall provide the Committee with a report on how these funds are to be utilized within 3 months of enactment, and progress reports on the demonstrations at 6 month intervals."	Consistent with subsequent directions contained in the Conference Report, Secretary Dole announced, in October, plans for research and demonstration projects on school-to-work models and a national school-to-work conference, as part of her action agenda for workforce quality. These funds will be used to support developing the school-to-work models. ETA is developing work plans and concept papers for implementing the entire school-to-work initiative. A report on the utilization of these funds is being prepared and will be sent shortly to the Committees.
"The Committee has noted with special interest the California Firefighter Joint Apprenticeship Program, which appears to meet the goals of the Bureau of Apprenticeship and Training's legislative mandate to promote and expand the apprenticeship concept of training... the Committee recommends that the Department of Labor initiate a demonstration project within existing funds based on the California Firefighter Joint Apprenticeship Program."	No funds are available in the Program Administration account to finance the project. The increase provided for Apprenticeship Services was reduced in Conference and direction provided to use the increased funds for youth programs. Three demonstration projects for youth programs are planned.
1990 Conference Report (101-274)	
"The Conference agreement includes $2,000,000 for the Bureau of Apprenticeship and Training to begin a series of pilot and demonstration projects testing the feasibility of applying the apprenticeship concept of training to a disadvantaged and discouraged youth population."	An additional $1,500,000 was added by Congress to be used for the projects. Three separate demonstration projects are planned in 1990 to test the feasibility of applying the apprenticeship concept of training to disadvantaged and discouraged youth.

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request 1990	Budget Request 1991
Authorizing legislation containing indefinite authority		
Job Training Partnership Act (29 U.S.C. 1501 et. seq.)	$47,948,000	$50,557,000
Older Americans Act of 1965, as amended (42 U.S.C. 3001 et. seq.)	372,000	397,000
National Apprenticeship Act of 1937 (29 U.S.C. 50)	15,517,000	14,607,000
Trade Act of 1974, as amended (19 U.S.C. 2271-2321)	2,295,000	2,566,000
Immigration and Nationality Act (8 U.S.C. 1184)	8,197,000	8,276,000
Wagner-Peyser Act of 1933, as amended (29 U.S.C. 49-491-1)	14,547,000	14,620,000
Title III of the Social Security Act of 1935, as amended (42 U.S.C. 502-504)	29,253,000	29,343,000
Authorizing legislation containing specific authority		
Stewart B. McKinney Homeless Assistance Act Title VII, (42 U.S.C. 1141)	381,000	415,000

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981..............	$123,977,000	$123,977,000	1/	$130,466,000
1982..............	112,706,000	144,464,000	129,912,000	124,270,000 2/
1983..............	122,535,000	120,903,000	120,903,000	127,970,000
1984..............	123,038,000	121,144,000	118,968,000	118,567,000
1985..............	109,039,000	114,819,000	111,122,000	116,850,000
1986..............	105,289,000	110,598,000	110,821,000	106,057,000 3/
1987..............	112,627,000	112,031,000	117,804,000	112,031,000 2/
1988..............	117,022,000	120,321,000	117,882,000	115,252,000 2/
1989..............	118,896,000	118,896,000	122,044,000	119,099,000 4/
1990..............	117,010,000	117,010,000	120,010,000	118,510,000
Reduction pursuant to P.L. 99-177....				-703,000
1991..............	120,781,000			

1/ Not considered.
2/ Continuing Resolution.
3/ Reflects $4,764,000 reduction pursuant to P.L. 99-177.
4/ Reflects $1,445,000 reduction pursuant to P.L. 100-436.

EMPLOYMENT AND TRAINING ADMINISTRATION
SALARIES AND EXPENSES

JUSTIFICATION

	1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Job training programs.......	293	$18,540,000	320	$20,597,000	+27	+$2,057,000	320	$22,004,000	--	+$1,407,000
Employment security.......	205	15,731,000	178	13,474,000	-27	-2,257,000	173	13,870,000	-5	+396,000
Financial and administrative management.....	300	25,050,000	299	24,600,000	-1	-450,000	292	24,916,000	-7	+316,000
Executive direction and administration..........	104	6,697,000	103	6,903,000	-1	+206,000	103	7,643,000	--	+740,000
Regional operations.........	581	36,975,000	580	36,652,000	-1	-323,000	566	37,741,000	-14	+1,089,000
Apprenticeship services.....	245	15,517,000	245	15,517,000	--	---	239	14,607,000	-6	-910,000
Total Budget Authority....	1,728	118,510,000	1,725	117,743,000	-3	-767,000	1,693	120,781,000	-32	+3,038,000

1/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177........................-$703,000 and -1 FTE.

Comparative transfer to WCF: DOL Academy........................$0 and -1 FTE.

Ceiling Adjustment for Departmental Management...........-$64,000 and -1 FTE.

Comparative transfer of Trade Adjustment Assistance program from Employment Security to Job training programs...$2,057,000 and 27 FTE.

General Statement

This budget request provides for the Federal administration of all Employment and Training Administration (ETA) programs.

The appropriation contains both general revenues and trust funds. The general revenue portion of the appropriation request provides for the Federal staff and related costs of administering the Job Training Partnership Act (JTPA), Older Americans Act of 1965 as amended, Trade Act of 1974, as amended, and National Apprenticeship Act of 1937. The Unemployment Trust Fund provides for costs for activities related to the Federal administration of employment security functions under Title III of the Social Security Act of 1935, as amended, and the Immigration and Nationality Act. Costs for activities related to employment service functions under the Wagner-Peyser Act, as amended, are split, 97 percent to three percent, respectively, between unemployment trust funds and general revenues.

The 1991 request provides for 1,693 full-time equivalent (FTE) staff and $120,781,000, which is a reduction of 32 FTE and an increase of $3,038,000 from the 1990 revised estimate. The FTE reduction is necessitated by the pressing need for additional staff in other program areas and to help offset the increased operating costs expected in 1991. To minimize the effects of these reductions, workload planning and resource allocation efforts will help insure that staff and other resources are used in the most efficient manner possible.

In 1991, ETA has decided to scale back operations in all activities except Job Training Programs and Executive Direction and Administration. No reductions are proposed in these two offices due to increasing policy development activities in response to the Administration's proposed changes to JTPA and the Secretary's Seven-Point Skills Reform Plan. This decision may result in fewer oversight and technical assistance visits to program recipients, delays in completing presently planned projects, and reduced ADP purchases.

The budget assumes increasing workload in Alien Certification activity. Because of the uncertainty in these estimates, additional staff have not been requested. Should increases occur, resources could be reallocated from other activities to minimize backlogs. However, if the increases are substantial, increased processing delays and backlogs may result.

The 1990 and 1991 estimates reflect the transfer of the Trade Adjustment Assistance (TAA) activities from the Employment Security activity to the Job Training Programs activity and the establishment of the new Office of Work-Based Learning (OWBL). OWBL staff will provide leadership and support for a wide range of work-based training programs, both publicly and privately sponsored, that are designed to upgrade the skills of the work force and provide alternative paths for youth from school to work.

The 1991 request continues to support ETA's long-term assessment of the labor force and labor market needs, including developing a more rational system for the delivery of training and employment services which fosters individual initiative and responsibility. The request also supports the Secretary's Seven-Point Skills Reform Plan program to improve the nation's ability to provide workers with the skills industry needs through efforts to assist youth in school-to-work transition, enhancing the skills of employed workers, intensifying efforts to utilize available workers, and increasing labor market efficiency.

ETA will continue long-term and short-term strategic planning for, and analyses of prospective economic and labor market developments, and will provide resources to its Regional Offices to enable them to assist States/grantees in structuring their training programs. Programmatic initiatives to be pursued in Fiscal Year 1991 include further expansion of child care services and drug abuse prevention programs and the level and quality of work-based learning programs. In addition, priority will be given to the implementation of new legislative initiatives such as the Administration's JTPA amendments and the Family Support Act (JOBS), and to monitoring program operations under the Employment Service (ES), Unemployment Insurance (UI), and TAA.

Efforts to expand apprenticeship programs to new industries and occupations will continue as well as implementation of new regulations with special emphasis placed upon improving the quality of both new and existing apprenticeship programs.

ETA will continue its oversight of programs designed to meet the training and employment needs of economically disadvantaged individuals as well as programs for specific population segments experiencing unique employment problems. ETA will work to increase the effectiveness of the Job Corps program, construct new centers, contain unit cost growth, and strengthen linkages with related human resource programs. The UI program will examine issues related to the labor market, and alternative uses of UI funds as well as expanding coverage of the Quality Control (QC) program. Efforts will continue to enhance the operation of existing Local Area Networks (LANS) and inter-network communications. The Regional Office staff will place high priority on processing alien certification requests as well as JTPA management review and oversight. A considerable portion of JTPA activities will be related to development and monitoring of State efforts to implement legislative changes planned for the State JTPA programs.

JOB TRAINING PROGRAMS

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
293	$18,540,000	320	$20,597,000	+27	+$2,057,000	320	$22,004,000	-0-	+$1,407,000

1/
Included in 1990 Estimate above:
Comparative transfer from Employment Security of the Trade Adjustment Assistance Program.......$2,057,000 and 27 FTE.

Introduction

Federal funds provide salaries and expenses for staff in the Office of Employment and Training Programs (OETP), Office of Special Targeted Programs (OSTP), Office of Job Corps, and OWBL in the administration of a decentralized system of block grants to States for comprehensive job training, summer youth employment, dislocated worker programs, the Job Corps youth training programs, services to special targeted groups, and the implementation of initiatives to expand the extent and quality of work-based training programs.

OWBL was formed during a 1990 agency reorganization. In addition to assuming new responsibilities for emerging agency involvement in work-based training, OWBL received responsibility for the Title III dislocated worker and the Worker Adjustment and Retraining Notification Act (WARN) programs from OETP, and for the Trade Act from the Office of Employment Security. OWBL also contains the Bureau of Apprenticeship and Training (BAT), which remains a separate activity. OWBL interprets and administers the requirements for WARN and fulfills Federal requirements for State operated dislocated worker programs, including retraining and reemployment assistance, authorized by JTPA and the Trade Act of 1974, as amended. OWBL staff also investigate worker petitions for benefits under the Trade Act.

OETP staff provide program management and direction for the nationwide operation of training and employment programs. Activities consist of policy direction through the issuance of regulations for JTPA Titles I, II and V, and assisting in development of JOBS regulations with the Department of Health and Human Services (HHS), guidance letters, and development of legislative proposals; planning coordination through the development of planning instructions and review of Governors' plans and modifications; and technical assistance for State and local programs from staff and through OETP-administered contracts. Efforts also include performance review and oversight through the examination of data, reports, and reviews, as well as through on-site visits; provision of information on JTPA and specific issues to other Department Of Labor (DOL) offices and other Federal agencies; recognition of outstanding performance in the system through the administration of the Presidential Awards Program; and specific coordination initiatives with other Federal agencies which have a major impact on job training.

The OSTP staff design and administer training and employment related programs which serve populations with severe disadvantages in the labor market, including American Indians and other Native Americans, migrants and seasonal farmworkers, the disabled, and older Americans.

The Office of Job Corps administers a residential training program designed to increase the employability of disadvantaged youth ages 16 to 21. Planning, program development, and executive guidance activities are carried out at the National Office level, along with the direct management of a small number of program functions. The majority of program management activities are performed by Job Corps Regional Offices. The nine Regional Offices issue and administer contracts for: 1) the operation of Job Corps centers; 2) the recruitment and screening of potential students and 3) the provision of job development and placement services to students upon their graduation.

1991 Budget Request

In 1991, OETP will have major responsibility for implementing the JTPA amendments. Included will be the development and issuance of new regulations, the development of extensive technical assistance to support the initiative, and new planning provisions. In addition, major work areas will include coordination and support of joint JOBS/JTPA policy direction and technical assistance, and the administration of new oversight mechanisms.

OSTP will continue to administer and oversee 333 grants for the Native American, farmworker, older worker, and people with disabilities programs. The effects of the proposed amendments to JTPA, if enacted, and the recommendations of the renewed JTPA Native American Programs' Advisory Committee will be assessed for impact on program guidance and management.

The Office of Job Corps will implement and oversee operations at the 107 existing Job Corps centers through the awarding and administration of contracts and interagency agreements. The Office of Job Corps will also plan and procure a wide range of support and allied services, including the recruitment and screening of potential students, the provision of job development and placement services to departing students, the administration of the student pay and allowance system, the provision of transportation services to students, and the construction and repair of Job Corps facilities.

During 1991, Job Corps centers will be opened in Alabama and Kansas. Intensive efforts will also continue on the acquisition and renovation of the four additional centers that will be opened over the following two years.

Programmatic initiatives that will be pursued in fiscal year 1991 include: 1) the further expansion of child care services to students with dependent children; 2) the expansion of intensive drug abuse prevention and intervention programs from 20 pilot sites to all Job Corps centers; and 3) the development of linkages with other programs as a means to improve services and reduce costs.

OWBL will further its efforts to expand the level and quality of work-based learning programs. In the youth-to-work transition area, additional models will be developed and implemented in several sites, and a multi-faceted public awareness campaign will be undertaken in order to build support for basic reforms in the transition of youth into the workforce. OWBL will evaluate the industry-partnership demonstration projects implemented in 1989 and 1990 to determine the appropriateness of a systematic methodology for installing and accrediting work-based training programs.

Staff will also oversee operations related to the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), including providing policy guidance, design and delivery of training and technical assistance, and review and evaluation of Title III proposals funded with National Office discretionary funds. Oversight of State spending to minimize year-end reallotment of unexpended funds will be required. Efforts will also be directed to closing out activities funded under the former Title III Dislocated Worker Assistance Program.

Legislation will be proposed to eliminate duplication in programs to aid dislocated workers and terminate the TAA program on October 1, 1990. Training and related services would be provided through EDWAA, which offers comprehensive services to displaced workers regardless of the source of dislocation. No worker would begin training, job search, or relocation after September 30, 1990. However, workers on the rolls during the week including September 30, 1990 would continue to receive payout of their cash benefits. Assuming the proposed legislation to terminate the TAA program is enacted, OTAA staff would be used for essential closedown activities, including completing fact-finding investigations and issuing determinations on petitions for TAA postmarked before July 1, 1990; completing cases determined to qualify for administrative reconsideration; completing cases remanded to the Department by the U.S. Court of International Trade; and completing any escape clause studies under Section 201 or 224 of the Trade Act.

1990

In OETP, four major program initiatives will be in different stages of development. During 1989, the Department sent to Congress major amendments to JTPA. It is expected these amendments will be enacted early in calendar year 1990 with a July 1, 1990 effective date. Therefore, considerable attention will be given to the Office's continued involvement during the legislative process, and the extensive activities to implement proposed changes. Youth initiatives begun in 1987 will continue to be assessed, and training and technical assistance efforts will give special emphasis to improving services to youth. To complement efforts by HHS, the Department has specific responsibilities and involvement in the implementation of JOBS, particularly in providing technical assistance to the employment and training community. OETP has the lead in directing JTPA's role in JOBS.

In addition to these initiatives, staff will provide program oversight, JTPA planning, technical assistance, resource allocation, policy guidance, program performance analysis and appeals processing. The JTPA Presidential Awards are being presented for the third year in March 1990.

OSTP continues to administer and oversee 333 grants for the Native American, farmworker, older worker and people with disabilities programs. Grantee performance and job placement in the private sector will continue to be emphasized by providing technical assistance and training and promoting coordination with other human resource agencies. Compliance monitoring activities continue.

In addition to regular program administration tasks, the Office of Job Corps is engaged in the following special initiatives in 1990:

- Continued acquisition and renovation of facilities for the six new Job Corps centers mandated by Congress.
- Relocation of two additional Job Corps centers with funding available in program year 1990.
- Expansion of child care services to nonresidential students with dependent children, as well as the continuation of plans for a residential facility with child care.
- Continuation of efforts to increase the number and percentage of female students enrolled in Job Corps.
- Publication of streamlined program regulations and administrative directives.
- Modernization of student pay and allowance system
- Modernization of Job Corps data and reporting systems.
- Further modernization of Job Corps vocational courses through implementation of competency based curricula.
- Continuation of efforts to improve Job Corps basic education courses through the development and implementation of competency based curricula.
- Proceeding with creation and implementation of formal curricula for social and interpersonal skills development.
- Carrying on efforts to assess and document the outcomes of the Job Corps II pilot and demonstration programs.

OWBL is implementing two major components of the Secretary's Agenda for building a quality workforce -- enhancing the skills of currently employed workers and assisting youth in the transition to work. For the first item, OWBL is establishing the National Advisory Board on Workplace Training and sponsoring a series of demonstration projects aimed at forming partnerships with industry groups to expand the extent and quality of work-based training programs.

The School-to-Work transition efforts include consultations with education and industry representatives, a national conference, chaired by the Secretary, and the development of school-to-work transition models. EDWAA, which became effective on July 1, 1989, will require continual guidance, support, and oversight. Requests for Federally controlled EDWAA discretionary funds must be reviewed, work statements negotiated, awards made, projects subsequently monitored, and progress reports reviewed. In addition, ETA will continue to respond to inquiries on WARN.

In 1990, under current TAA legislation, ETA expects to institute about 1,400 fact-finding investigations in response to worker petitions for adjustment assistance. During the year it expects to issue the same number of determinations. About 54,000 workers are expected to be certified as eligible to apply for adjustment assistance benefits. To the extent possible, Regional Office staff will continue to assist OTAA in conducting fact-finding, to ensure that petition determinations are issued timely. To the extent that this additional assistance cannot be provided because of competing demands, or the workload is greater than anticipated, delays may be encountered. The Department will also continue its structured oversight of State administration and management of TAA program benefits and services.

1989

OETP provided guidance, technical assistance and training (TAT) and oversight of EDWAA implementation. OETP participated in the development and issuance of regulations for WARN, as well as providing continuing guidance on public inquiries. OETP was involved in the development of the JTPA amendments, both by giving general direction to the Advisory Committee and assisting the development of the Administration's proposal. OETP administered the review process for Title III discretionary dislocated worker funds, and provided temporary jobs assistance to several disaster sites.

Overall guidance to the JTPA system was continued through the established Policy Guidance System, and through development of compliance review and management review guides and the management of these processes. The Presidential Awards were presented in March 1989 after completion of an extensive nomination and review process conducted nationwide. Data analysis activities were expanded and periodic reports on program performance prepared and disseminated and additional efforts were initiated to enhance the provision of services to youth throughout the JTPA delivery system. OETP continued the review of all Governor's Coordination and Special Services Plans, Statewide Job Training Plans, Service Delivery Area designation appeals and local job training plan appeals.

OSTP administered and oversaw 333 grants for the Native American, farmworker, older worker and people with disabilities programs. Improved grantee performance and job placement in the private sector were emphasized in these programs through the provision of technical assistance and training. Linkage and coordination strategies with other human resource agencies were promoted. In addition, OSTP completed the following initiatives during this period:

o Renewed the advisory committee for the Indian and Native American Program under the provisions of the Federal Advisory Committee Act. This action will enhance the statutory consultation requirement for this program.

o Developed guidelines and awarded funds to Migrant and Seasonal Farmworker Program grantees under provisions of the Disaster Assistance Act to help farmworkers affected by the 1988 drought. This was accomplished well within

Congressional deadlines.

- Selected two new national grantees for the older worker program as mandated by the Older Americans Act Amendments of 1987, the National Indian Council on Aging, and the National Pacific/Asian Resource Center.

In addition to regular program administration tasks, the Office of Job Corps proceeded with efforts to select sites and began to acquire and renovate facilities for the six new Job Corps centers mandated by Congress. Other special emphases in 1989 included: evaluation of Job Corps II pilot and demonstration projects; further modernization of vocational training at Job Corps centers; initial overhauling of the basic and remedial education curricula; initiation of efforts to develop a formal curricula for social and interpersonal skill development; development of policies for the admission and treatment of students infected with the AIDS virus; continuation of the enhancement of services for women; and relocation of the Talking Leaves, San Jose and Knoxville Job Corps centers.

In 1989, fact-finding investigations were instituted in response to 2,282 worker petitions, up from 1,019 petitions instituted in 1988. Over 1,100 of these were received under a special provision in the Omnibus Trade and Competitiveness Act of 1988 which gave employees of oil or gas drilling companies a specified 90 day period within which to file for retroactive trade readjustment allowances (TRA) and other TRA benefits and services. During the year, with regional office assistance, 2,367 investigations (including investigations of a number of petitions received in the latter part of 1988) and determinations were completed or issued, compared with 860 cases in the prior year. Approximately 49,000 workers were determined as eligible to apply for adjustment assistance.

Changes in 1991

Activity Changes:

Built-In:	
Within-grade promotions	$138,000
Merit pay	50,000
One day of additional pay	58,000
Annualization of pay increase effective January, 1990	163,000
Pay increase effective January, 1991	678,000
Bonuses	1,000
Personnel benefits	245,000
Travel	45,000
Communications	14,000
Printing	3,000
Other services	10,000
Supplies	1,000
Equipment	1,000
Total Built-in:	$1,407,000
FTE	--

EMPLOYMENT SECURITY

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
205	$15,731,000	178	$13,474,000	-27	-$2,257,000	173	$13,870,000	-5	+$396,000

1/
Included in the 1990 Estimate above:
Reduction pursuant to P.L. 99-177....-$200,000 and -0- FTE.

Comparative transfer to Job
Training Programs of the Trade
Adjustment Assistance program......-$2,057,000 and -27 FTE.

Introduction

The Employment Security budget activity includes two major ET. components: the United States Employment Service (USES) and the Unemployment Insurance Service (UIS). Federal staff costs for Employment Service activities under the Wagner-Peyser Act are divided between unemployment trust funds and general revenues, 97 percent and three percent, respectively.

USES provides leadership, policy guidance, technical assistance and training, and Federal oversight for the administration and operation of the national public employment service system carried out under joint agreements between the Department of Labor and each State. Major responsibilities focus on policy direction through regulations and directives, and reviewing the administration of the Wagner-Peyser program and other legislated mandates. In addition, USES administers the Alien Certification program.

Under the Federal-State unemployment insurance system, the Federal partner, through the UIS, provides overall leadership in the administration of unemployment compensation programs. Major responsibilities include: setting overall policy for administration of the program; promoting efficient and effective methods of administration; determining administrative fund requirements; reviewing State legislation, regulations and procedures to ensure conformity with Federal law; establishing performance criteria; and monitoring State performance.

1991 Budget Request

U.S. Employment Service

Major emphasis in this year will continue on two Departmental initiatives started in 1990: actions to improve the Employment Service; and any revision of the occupational analysis program to upgrade the Dictionary of Occupational Titles.

Efforts to strengthen the coordination of public employment service activities with those under other training and employment programs will be stepped up. Attention will also be placed on fostering enhanced employment service activities to meet expected changes in the labor market reflecting job growth and increasing demand for workers as the labor force growth rate declines and the workforce ages. Improved initial assessment to better identify the employment needs of youth, dislocated workers, and others in order to provide them appropriate services will receive special attention. Staff will also initiate a major upgrade of the General Aptitude Test Battery (GATB). Workloads associated with the Alien Labor Certification program and Immigration Reform initiatives will continue to utilize significant staff resources.

Unemployment Insurance Service

UIS will continue emphasis on initiatives which explore potential policy issues confronting the UI program. The UIS will continue to examine issues related to the labor market and alternative uses of UI to speed the return of the unemployed to work. The four self-employment demonstration projects authorized by the Omnibus Reconciliation Act of 1987 will continue operation in 1991. Work on other major research projects initiated in previous years will continue including final evaluation of the two reemployment bonus demonstration projects, a study of geographic shifts in unemployment, a study of the countercyclical effects of UI, and four demonstrations of the utility of expert system technology in UI functions.

The QC program will continue to move toward implementation of a revenue QC component. In 1991 the program will be refined after pilot phases, in preparation for full implementation in 1992. In addition, pilot testing and evaluation of a telephone investigation methodology in four States will be concluded and implemented, if appropriate, to employ more efficient data collection procedures in the benefits QC program. In the benefits QC program attention will also be focused on use of data findings for program improvement.

UIS' major emphasis will be on continuing to improve existing oversight systems for carrying out the Secretary's responsibilities. UIS will continue its exploration of options for measuring State UI performance and development of revised measures and their pilot testing to better assess the efficiency and effectiveness of State administration of the UI program. States will continue to receive assistance in implementing the revised cash management and banking approach which will emphasize reduction of excess State unemployment fund balances in local banks and improved cash management performance. The States' implementation of these programs will be monitored. Training will be provided to the States on the use of training materials to improve UI claims adjudication performance.

The request includes $1,000,000 in UI Research and Training funds. These funds will be used to maintain projects which provide technical assistance in identifying and evaluating improvements in UI program operations.

PA-22

1990

U.S. Employment Service

In addition to providing ongoing oversight and direction to the public employment service, two major Departmental initiatives were started as part of the Secretary's agenda to assure a quality workforce: (1) an initiative to make the public employment service more responsive to labor market needs; and (2) an examination of the Dictionary of Occupational Titles (DOT), with a focus on upgrading and expanding its use.

EDWAA, WARN, JOBS, and amendments to TAA will place greater emphasis on improved program linkages and coordination. Efforts to enhance the coordination of public employment service activities with other training and employment programs will continue to receive priority attention.

Workload associated with the Alien Labor Certification program and Immigration Reform initiatives continues to utilize significant staff resources as well as implementation of the Immigration Nursing Relief Act of 1989. The extension of the Targeted Jobs Tax Credit (TJTC) program also requires staff action.

Unemployment Insurance Service

In UIS, emphasis will continue to be placed on exploration of possible UI reform issues. The self-employment demonstration projects will become fully operational in four States. Major research projects initiated in previous years will be completed, including a pilot and evaluation of substate area triggers for the extended benefit program and a study of UI exhaustees. Preliminary evaluation of the reemployment bonus demonstration projects will be completed.

Staff time will be spent in the development of policies to administer the UI program within available resources. This includes revised projections of State workload and changes to State allocations and funding priorities.

The QC program will shift its focus to the assessment of problem areas and attempts to develop approaches to address them. Data on the second full year of benefits Quality Control will be published and made available to the system for continued analysis of operations. In addition, current developments in the design of and procedures for a Revenue Quality Control program will be released prior to piloting specific activities in 1991.

UIS will publish a revised Trust Fund and cash management and banking approach and assist States with its implementation. An in-depth examination of alternative methods of measuring State UI performance will continue to assure that the Secretary's statutory responsibilities for the administration of the UI program are being effectively carried out. Guidance and assistance will continue to be provided to the States in implementing the 1988 amendments to the Trade Act and in implementing amendments to the Disaster Unemployment Assistance program. UIS also will oversee the development of training materials for State use in improving UI claims adjudication performance.

1989

U.S. Employment Service

Major emphasis was placed on improved coordination of activities under JTPA, EDWAA, TAA, JOBS and other programs. Emphasis was also given to increasing public awareness of Workforce 2000 issues and the need to change and improve the delivery of public employment service activities to meet current and future labor market needs. Staff efforts were also devoted to proposed revisions to the ES reporting system and implementing program changes in the TJTC program. In the alien labor certification area, staff provided technical assistance for the H-2A program in conjunction with new crops and activities Initiatives were undertaken to improve the recruitment of U.S. agricultural workers, as well as reduce backlogs and streamline operations in the permanent program.

Unemployment Insurance Service

UIS' major emphasis was on issuing proposed rulemaking for the new Trade Act amendments and interim final regulations for the Disaster Assistance program, initiation of an in-depth review of the U performance measures and the oversight systems, publication of the first full year of Quality Control data, and related program improvement efforts, design work on the Revenue Quality Control program, and continued work on cash management improvement.

Research activity focused on the design of the self-employment demonstration projects and monitoring the implementation of the projects in selected States began. Full implementation of the Pennsylvania reemployment bonus demonstration project began, while evaluation was begun on the Washington demonstration project. In addition, several research projects were initiated to provide new information on policy issues confronting the program.

Changes in 1991

Activity Changes:

Built-In:	
Within-grade promotions	$55,000
Merit pay	30,000
One day of additional pay	34,000
Annualization of pay increase effective January, 1990	91,000
Pay increase effective January, 1991	287,000
Bonuses	1,000
Personnel benefits	102,000
Federal Employees' Compensation Fund	17,000
Travel	12,000
Transportation	2,000
Communications	4,000
Printing	2,000
Other services	79,000
Supplies	1,000
Equipment	1,000
Administrative support services (WCF)	80,000
Total Built-in:	$798,000
FTE	--
Net Program	-$402,000
FTE	-5

Employment Security

Proposal: A reduction of 5 FTE from Employment Security.

Rationale: To provide for a reduction to maintain staffing in high priority program areas and due to budgetary constraints.

Program Effects: A reduction of one FTE from USES, Program Planning and Operations activities will result in fewer training sessions and policy guides related to new legislation and regulatory changes. UIS will be reduced by four FTE, resulting in reduced monitoring of QC program improvement projects and reduced validation reviews; fewer State cash management compliance reviews; and delays in the Desired Level of Achievement project to revise UI program performance measures.

Base:
FTE: 178 Estimate: $14,272,000

Program Decrease:
FTE: -5 Estimate: -$402,000

FINANCIAL AND ADMINISTRATIVE MANAGEMENT

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
300	$25,050,000	299	$24,600,000	-1	-$450,000	292	$24,916,000	-7	+$316,000

1/ Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177..............-$141,000 and -0- FTE.

Ceiling Adjustment for Departmental Management...-$64,000 and -1 FTE.

Introduction

Financial and Administrative Management includes four major components: The Office of the Comptroller (OC); the Office of Information Resources Management (OIRM); the Office of Grants and Contract Management (OGCM); and the Office of Management Support (OMS). The Office of the Comptroller performs functions related to budget formulation and execution, accounting, financial management, financial oversight of ETA national and regional contracts and grants, and fiscal policy direction and interpretation for ETA organizations. OIRM handles acquisition and use of ADP resources for ETA. OIRM develops, acquires and manages automated information resource systems for collecting, processing, and communicating training and employment program and financial data. OGCM provides procurement services for nationally managed programs, acquisition policy guidance, oversight, technical assistance, and audit resolution and closeout for grants/contracts, and collection of disallowed program costs including referral of debt cases to the Department for collection or termination. OMS performs a variety of management support functions, i.e. personnel, administrative, and organizational management of staff; conducts compliance investigations of allegations of fraud, gross mismanagement, and conflicts of interest; performs internal control reviews; and conducts Secretary's investigations under all ETA administered programs.

1991 Budget Request

In the Office of the Comptroller, ongoing activities such as budget formulation, budget execution, financial planning, cash and financial management, system development, compliance monitoring, accounting journalization and ledger maintenance will continue. In addition, efforts will continue to be focused on implementation of the grant management changes required by revised OMB Circular A-102, A-110, and A-87, as well as refinement of the integrity of ETA financial management reporting. OC will also focus on the ETA property inventory process in response to an Office of Inspector General (OIG) audit. Staff will continue in-depth reviews of the financial systems of ETA National Office grantees. An analysis of the adequacy of those systems will be made, especially in light of the proposed amendments to JTPA. With fewer reviews planned, efforts will target grantees with previously reported problems and new grantees. Subject to the availability of funds, the new grants management system model designed in 1990 will be implemented and operational by year end.

OIRM will continue work to enhance the operation of existing National and Regional office LANS and inter-network communications. The conversion of existing software systems for operation on ETA's LANs and the development of the Revenue QC program system will continue.

OGCM will continue to emphasize the effective award and administration of ETA grants and contracts. Heavy workload items include: JTPA grants to States, JTPA grants for Section 401 Indians/Native Americans, Section 402 Migrant and Seasonal Farmworkers, EDWAA, Older Worker grants, Stewart B. McKinney Act Homeless assistance grants, Job Corps support contracts, related Research and Development, Pilot and Demonstration and Technical Assistance and Training grants and contracts. Emphasis will also be on accelerated award procedures and achieving cost savings through negotiation and competition. ETA accounts receivable will be reduced and debts will be settled in accordance with the Debt Collection Act. Involvement in compliance and management reviews in the audit, debt management and procurement areas will continue.

OMS will conduct independent, in-depth reviews of selected national level ETA grantees; compliance investigations of allegations of fraud, gross mismanagement, conflicts of interest; and Secretary's investigations under all ETA administered programs. In conformance with the Federal Managers Integrity and Financial Management Act (FMIFA), internal control reviews of agency activities will be conducted. In addition, OMS will continue to complete pre-award clearances on all ETA prospective contractors/grantees; coordinate with the General Accounting Office (GAO) and OIG on audits, investigations, and surveys of ETA administered programs; and continue coordination and review of the Freedom of Information Act (FOIA) and Privacy Act (PA) requests. Work will continue toward complete implementation of a Performance Management System for performance appraisals and awards for ETA non-supervisory employees. Quality of Work Life (QWL) activities will be expanded to involve more ETA employees. ETA will continue recruitment efforts to hire minorities and women. Administrative work related to securing architectural, engineering and construction services for new Job Corps centers will be continued.

1990

The Comptroller's Office will seek continued improvement in the oversight of ETA grants, including the further development and refinement of a monitoring tool to review the adequacy of financial and cash management systems utilized by State Employment Security Agencies and JTPA grantees in the administration of ETA programs. Also, during 1990, staff will concentrate on grant management reporting requirements, consistent with proposed revisions to OMB Circulars A-102, A-110 and A-87 as well as the recent TAA and JTPA amendments. A number of financial management improvement projects and activities will be accomplished in response to recommendations included in the agency's reviews of the integrity of financial management and internal controls completed in 1989. A working model, including design and system specifications of a grants management system to complement the new DOL accounting system, will be completed.

Office automation initiatives will continue. LANs will be installed throughout the National Office and in the three remaining Regions now without LANs. LAN inter-networking capabilities will be introduced, and conversion of existing software systems for operation on ETA's LAN will begin. Microcomputer/LAN training will be provided, and a user help desk will be established. The alien certification support system will be exported from New York to other regional offices. The specifications and pilot of the grants management system to replace the Regional Automation System will be completed, and work will continue on the development of the UIS Revenue QC program system.

Contract and grant award activities during 1990 will emphasize competition, increased processing efficiency and aggressive negotiations. Grants will also emphasize implementation of revised OMB Circular A-102 and A-110 and proper use of debarment, suspension and drug-free workplace procedures. ETA accounts receivable will continue to be reduced through settlement, enforced collection and other debt service measures. Audit resolution, contract/grant closeout and appeals activities will continue to be carried out in accordance with applicable legal requirements. An incident report resolution system will be developed and implemented. Emphasis will continue on grantee compliance and management reviews in the audit, debt management and procurement areas. A major effort to improve State and Service Delivery Area (SDA) procurement practices is being initiated.

OMS will conduct independent in-depth reviews of national level ETA grantees. These include an evaluation of the Job Corps facility review process and follow up reviews of grantees who were found to have serious, uncorrected fiscal deficiencies. OMS will also continue in its role of conducting compliance investigations of allegations of fraud, gross mismanagement, conflicts of interest, and conduct Secretary's investigations under all ETA administered programs. Internal reviews will be conducted in conformance with the FMIFA. Coordination and review of FOIA and PA requests will continue. Accelerated recruitment efforts are planned to increase the number of Hispanics in ETA and to attract "Outstanding Scholars" (college students with a grade point average of at least 3.5 or higher). As part of QWL activities, a job rotation program will be developed for all ETA employees. Administrative work will be done related to the planned acquisition of property for the establishment of new Job Corps centers and the relocation of existing centers.

1989

In 1989, OC followed up on the reduction, consolidation and refinement of JTPA financial and cash management oversight requirements. A process to reconcile grantee compliance with the requirements of the Single Audit Act was continued as well as an in-depth analysis of the review findings. Staff also continued reviews of National Office program grantees for adequate cash and financial management systems. Improvements were made in accounting and financial management reports. ETA worked with the Department toward the design and implementation of the new DOL accounting system. An in-depth review of the integrity of ETA financial management internal controls was also completed. Activities continued on the design of a grants management system for the use of ETA and other DOL agencies.

The office automation activities continued, including the installation of more than 450 microcomputers, the expansion of existing LANs in the National Office, the Boston and New York Regional Offices, and the installation of LANs in five other regional offices. The pilot system for the Alien Certification program was brought to near completion for use by all regional offices. Contract services were acquired for the development of specifications and a pilot of the grants management system that will replace the Regional Automation System. UIS installed hardware and acquired data base software to initiate the development of the Revenue Quality Control program system. Studies were initiated for the replacement of information systems for the Office of Grants and Contracts Management, the Job Corps Data Center, and the Bureau of Apprenticeship Training.

During 1989, OGCM completed over 3,000 grant and contract actions. Approximately 99% of all new discretionary contract awards were made on a competitive basis. Common-rule changes to OMB Circular A-102, debarment and suspension requirements and drug-free workplace rules were implemented. Program accounts receivable were reduced by 264 cases and nearly $25 million was recovered through cash repayments and Department of Treasury fund transfers.

During 1989, OMS conducted 39 independent in-depth reviews of national level ETA grantees with five grantees closed for misuse of Government funds. OMS processed and coordinated the review and comment of over 40 GAO and OIG report audits and surveys. OMS also coordinated and reviewed 49 FOIA and PA requests. In addition, 15 internal control and/or related reviews were completed and 855 pre-award clearance requests were handled. As part of QWL efforts, five pilot problem-solving work groups were activated, a QWL newsletter was published and employee volunteers were recruited to be on subcommittees and to serve as facilitators. As a result of human resources management plans, a significant number of new hires in 1989 were minorities. The Performance Management System of providing bonuses for non-supervisory employees was begun. Administrative support was provided for the establishment of Job Corps centers in Manhattan, Kansas and Minot, North Dakota and the relocation of the Knoxville and Talking Leaves Job Corps centers.

Changes in 1991

Activity Changes:

Built-In:	
Within-grade promotions	$89,000
Merit pay	46,000
One day of additional pay	55,000
Annualization of pay increase effective January 1990	153,000
Pay increase effective January, 1991	411,000
Bonuses	1,000
Personnel benefits	178,000
Travel	11,000
Communications	17,000
Printing	7,000
Other services	236,000
Supplies	21,000
Equipment	16,000
Administrative support services (WCF)	80,000
Total Built-in:	$1,321,000
FTE	--
Net Program	-$1,005,000
FTE	-7

Office of Information Resources Management

Proposal: Reduction of $524,000 in ADP Resources.

Rationale: To provide for a reduction in ADP resources to finance increased salary and benefit costs of the pay raise effective January 1991, and maximize staffing in light of budget reductions.

Program Effects: New office automation initiatives will be deferred. Resources will be available to finance enhanced operation of existing LANs.

Base:
FTE: -- Estimate: $5,238,000

Program Decrease:
FTE: -- Estimate: -$524,000

Financial and Administrative Management

Proposal: A reduction of 7 FTE in Financial and Administrative Management.

Rationale: To provide for reductions to maintain staffing in priority program areas, and as a result of budgetary constraints.

Program Effects: Oversight functions will be reduced. This includes reduced numbers of audit resolution investigations, fiscal policy reviews, and internal control reviews. Small delays will be experienced in resolving audits and collecting debts.

Base:
FTE: 299 Estimate: $20,686,000

Program Decrease:
FTE: -7 Estimate: -$481,000

EXECUTIVE DIRECTION AND ADMINISTRATION

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
104	$6,697,000	103	$6,903,000	-1	+$206,000	103	$7,643,000	-0-	+$740,000

1/
Included in the 1990 Estimate above.
Reduction pursuant to P.L. 99-177......-$39,000 and -1 FTE.

Introduction

The Executive Direction and Administration activity provides overall supervision and direction, policy and planning, administrative management support, management assistance services, and public relations for all parts of ETA. This activity consists of three distinct functional offices: the Office of the Assistant Secretary, the Office of Regional Management (ORM), and the Office of Strategic Planning and Policy Development (OSPPD).

The Office of the Assistant Secretary provides overall direction and leadership for all ETA activities. This includes policy planning and implementation, achievement of approved program and staffing levels, development of legislative proposals, implementation of legislative changes, financial control improvements, and the design of organizational development for effective administration of all ETA programs.

ORM provides leadership, guidance, and assistance to the Regional Offices to assure effective management and operation of ETA programs and policies in the field. Through a staff of program specialists and regional desk officers, ORM supports and assists program and functional managers in accomplishing national objectives through a continuous flow of information concerning program status in the field, policy issues that need to be addressed, and program improvements to be considered.

OSPPD provides the principal staff capability for ETA's planning, policy and legislative functions, research and demonstration programs, performance standards development, and program evaluation.

1991 Budget Request

The Office of the Assistant Secretary

The Assistant Secretary's Office will continue to provide overall direction and leadership in the development of improved training and employment programs nationwide. The major objectives of the Office include:

- Advising the Secretary in the formulation and execution of policies, programs, and systems, and the establishment of national priorities for training and employment.
- Directing the administrative, financial, and management systems and services.
- Directing the development of operational and strategic policy, and administering the operations of ETA programs.
- Directing the development and administration of programs for management improvement and technical assistance for the program delivery agents.

Regional Management

ORM will focus its management and coordination efforts in the three broad areas of 1) policy leadership and implementation, 2) regional and program management, and 3) program oversight and integrity.

Priority will be given to the effective implementation of new legislative initiatives such as the Administration's JTPA program, the JOBS program, which is administered by HHS, and to monitoring program operations under ES, UI, and TAA. Special emphasis will be given to monitoring the EDWAA program in its third program year.

ORM will manage the role of the Regional Offices in dissemination, discussion, and interpretation of ETA policies and priorities to the training and employment system and will continue to form a framework to stimulate coordination in the field, between ETA, other DOL agencies, and other Federal agencies. The Office will assure that the Department's high priority objectives, both programmatic and managerial, are afforded consistently high management attention and resources at the regional level. Priority policy leadership activities in 1991 will be related to the promotion of the Secretary's Seven-Point Skills Reform Plan with continued emphasis on adult basic skills, youth initiatives and workplace training.

ORM will also allocate Regional Office TAT resources among the Regional Offices and coordinate the delivery of TAT to grantees. Regional Office operating plans will be developed and monitored. Quarterly reviews of Regional Office performance and management will be conducted in each Region. These reviews are aimed at correcting deficiencies and improving Regional Office operations.

ORM will manage the alien certification process to assure that applications are handled through the system in an effective manner. With the workload in the non-agricultural alien certification program expected to remain at 77,400 new applications in 1991, ORM will work with the Regions to process as many cases as possible and to keep the Assistant Secretary and other Departmental officials apprised of workload changes and any ensuing backlogs which may result. With continued heavy workload anticipated in the agricultural program in 1991, ORM will closely monitor Regional activity to ensure applications are processed within statutory time requirements.

ORM will continue to oversee Regional Office use of the UI Quality Control and Quality Appraisal systems for timely corrective actions in the States. The Office will also oversee efforts to evaluate and improve UI quality assurance systems including completion of the design of the Revenue Quality Control component and review and assessment of UI performance measurements and development of refined UI measurements. In addition, ORM will oversee Regional Office implementation of new UI cash management approaches.

Strategic Planning and Policy Development

Using staff analysis, research and evaluation findings, and consultations, OSPPD will identify and analyze policy issues and options concerning JTPA, the Employment Security system and skills needed for work. New policy initiatives, analyses, research and demonstration projects and legislative support will be developed to continue efforts to improve workforce quality in the 1990s.

Elements of key coordinated efforts will include: business/labor/education definitions of worker skills needed to close the gaps between educational achievement and workplace requirements; research and demonstration projects that establish work-based learning program models combining academic skills attainment with applied learning in workplace settings; facilitating the transition from school to work; examining options to increase employer investments in skills training; research into effectiveness of training approaches; and improve and, with USES, upgrading the use of the Dictionary of Occupational Titles (DOT) based upon the recommendations of an advisory panel to oversee and upgrade the DOT system.

OSPPD will continue to support research, demonstrations and evaluation of new approaches to preparing targeted populations for the workforce. Youth Opportunity Unlimited demonstration programs will be supported, as will the EDWAA demonstration programs. Needs of the homeless will be served through the projects authorized by the McKinney Act.

1990

Regional Management

Priority is being given to providing direction to the Regional Offices in their efforts to oversee and assist the States in the field implementation of EDWAA, the amendments to TAA, and in the requirements of WARN. In addition, ORM established a framework for Regional Offices to promote efforts related to supporting the Secretary's Seven-Point Skills Reform Plan. ORM is also directing and providing resources to the Regional Offices to enable them to assist States and grantees in fine-tuning existing programs, placing emphasis on quality of programs, targeting special groups with emphasis on those most in need in keeping with DOL goals and the Year 2000 agenda. Regions, under direction of ORM, will coordinate closely with public interest groups and the training and employment community to facilitate the implementation of new initiatives and improved operations of existing programs.

Managing the Regional oversight functions will continue. This will include compliance reviews in each State of key integrity areas such as financial and cash management, audit resolution, debt management, and procurement systems.

Assessments of the implementation of the EDWAA program will be a priority area of review and follow-up. Developmental work will be devoted to structuring a review plan to assess the status of important provisions of JTPA, e.g. fixed unit price-performance based contracting or employment generating activities. ORM will also coordinate the oversight of ES cost reimbursable grants and reviews of the TAA program. During the year, ORM will continue to work with other ETA offices to evaluate all reviews and review instruments currently in use with a view toward improving the oversight process in terms of effectiveness and efficiency.

ORM continues to monitor technical assistance and information exchange activities provided by the Regional Offices to ETA grantees. A special effort will be directed to facilitate the coordination of programs such as JOBS and the ES. In addition, ORM is conducting management reviews of Regional Offices to improve efficiency of internal operations.

ORM will oversee Regional Office efforts to enhance UI quality assurance systems, to participate in designing a Revenue Quality Control component and review UI performance measurements associated with the UI Quality Appraisal system. In addition, ORM will oversee Regional Office coordination of activities associated with UI, Trade Readjustment Allowances, and EDWAA benefit programs in States.

ORM is assisting the Regional Offices with their increased responsibilities and workload associated with the Immigration Reform and Control Act (IRCA), including training of new staff and the implementation of alien certification automation for the non-agricultural program. ORM will also continue its oversight of both agricultural and non-agricultural alien certification activities.

Strategic Planning and Policy Development

Building upon consultations, staff analyses, and research, OSPPD will carry out identification and analyses of policy issues and options concerning JTPA, the ES, UI and Apprenticeship systems. Based on program, research, and evaluation experience, new policy initiatives will be developed to upgrade the labor force of the future. Additional analytic and legislative support activities will focus on:

- Issues emerging from the review of JTPA
- Studies of the workforce in the year 2000
- Developing basic skills-workplace literacy strategies
- Implementing EDWAA demonstration projects
- Issues related to welfare dependency.

Research and evaluation efforts will focus on studies to improve the training and employment system. Efforts will include continuation of the major social experiments to estimate the net impact of training supported by JTPA in 15-20 SDAs, the Job Training Quarterly Survey, UI issues, and homeless demonstration projects. Other areas targeted for research include workplace literacy, worker adjustment, occupational competency (acquiring skills necessary to perform a specific job), teen parents, youth computer assisted training programs for special target groups, and analysis of needs for training and development of instructional approaches to overcome barriers to learning on the job. Pilot and Demonstration efforts will include implementation of EDWAA demonstrations and will continue to focus on strategies to improve services to target groups in need of special assistance to overcome barriers to employment and to address critical skill shortage occupations, and labor market imbalances.

1989

Regional Management

The implementation of EDWAA, TAA, and WARN, promoting the Secretary's objectives regarding better services to at-risk youth and improving workplace literacy, alien certification activities, UI administrative financing changes, and the Quality Control program were major priority areas for ORM in 1989.

ORM took major steps to redirect Regional Office emphasis to promote the Secretary's goals and ETA policy initiatives related to efforts to expand and improve services to at-risk youth and to implement programs serving dislocated workers. ORM was involved with the Regions in the implementation of new JTPA performance standards for Program Year 1989.

Under the direction of ORM, the management review/consultation system for JTPA was implemented through the Regional Offices. These reviews were jointly planned and conducted with the States, with the SDA's as active participants. The compliance reviews were restructured to promote efficiency and reduce the number of on-site visits to States and SDAs. ORM directed the Regional Offices to ensure a consistent articulation and application of ETA policy, goals, and objectives. ORM also provided the Regional perspective for policy formulation and program policies and assessed workload implications. Emphases were on the areas of services to youth, dislocated workers, and program linkages and coordination at the State and local levels.

ORM monitored Regional Office efforts in managing the UI system. These activities included providing technical assistance, review and monitoring State UI systems and procedures, and analysis of Quality Control and quality appraisal results.

ORM assisted Regional Offices with increased responsibilities associated with IRCA and monitored hiring of additional staff for this activity. ORM also worked closely with those regions which previously had significant backlogs in the non-agricultural alien certification program to develop and implement plans to accelerate the backlog reduction. ORM also participated in the planning and pilot implementation of an automated system for alien certification activities.

Strategic Planning and Policy Development

Based on interaction with practitioners, legislators, staff analysts and researchers, OSPPD carried out identification and analyses of policy issues and options concerning the future of JTPA, the ES, UI, and Apprenticeship systems.

Using program, research and evaluation experiences as a base, new policy initiatives were developed to further the coordination of training and employment programs with other federally funded human service and education programs. Additional analytic and legislative support activities focused on:

- Immigration
- Basic Skills competencies for youth and adults
- Development of new at-risk youth initiatives
- Implementation of EDWAA
- JTPA legislative refinements.

Research and evaluation efforts focused on the conduct of studies in support of improving the training and employment system, including the continuation of the JTPA research experiment to assess the net impact of JTPA services in 15-20 SDAs. Studies and assessments focused on:

- Working families/child care
- Homeless employment and training
- Poverty and welfare dependency
- Increasing the effectiveness of service strategies for JTPA clients, particularly at-risk youth and dislocated workers
- Lifelong learning systems and training technologies.

Pilot and demonstration projects focused on comprehensive approaches for reaching and serving urban at-risk youth, improving workplace literacy, and building on results from projects such as Jobstart, Disconnected Youth, TAA and other demonstrations.

Changes in 1990

Activity Changes:

Built-In:	
Within-grade and promotions	$40,000
Merit pay	22,000
One day of additional pay	36,000
Annualization of pay increase effective January, 1990	81,000
Pay increase effective January, 1991	293,000
Bonuses	4,000
Personnel benefits	93,000
Travel	10,000
Transportation	3,000
Rent	123,000
Communications	5,000
Printing	4,000
Other services	13,000
Supplies	10,000
Equipment	3,000
Total Built-in:	$740,000
FTE	--

REGIONAL OPERATIONS

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
581	$36,975,000	580	$36,652,000	-1	-$323,000	566	$37,741,000	-14	+$1,089,000

1/
Included in the 1990 Estimate above:
Reduction pursuant to P.L. 99-177....-$323,000 and -0- FTE.

Comparative transfer to DOL Academy........-0- and -1 FTE.

Introduction

The ETA Regional Offices oversee the operations of JTPA, ES, and UI programs administered by State grantees. They serve as ETA's overall administrative agent by providing program and regulatory information to grantees, technical assistance upon request, and oversight of State program operations.

1991 Budget Request

The Regional Office role related to policy leadership activities, the JTPA/Wagner-Peyser compliance review oversight systems, the implementation of EDWAA, alien labor certifications, youth initiatives, and the UI Quality Assurance programs will be major priority areas for the Regional Offices.

The Regional Offices will continue to promote, disseminate, and assure that DOL training and employment policies and priorities are carried out at the State and local levels. Policy leadership is directed to a wide audience including the private sector, labor organizations, educational systems, and other governmental agencies such as welfare. The Regional Offices will be expected to implement TAT and information sharing actions for the smooth implementation of these activities as well as additional legislative initiatives such as JOBS and the McKinney Act.

ETA Regions will continue to work with grantees and other segments of the training and employment community at the State and local level to explore options for improving workplace skills. Day care, at-risk youth and older workers involvement in the workforce will also be areas of focus necessary to achieve year 2000 goals.

A considerable portion of JTPA activities will be related to monitoring of State efforts to implement legislative changes planned for the State JTPA programs. The changing program focus, including year-round youth services, increased coordination, enriched services and improved targeting will demand significant program design changes.

The Regions will provide assistance to all partners of the training and employment system in order to achieve ETA goals and objectives through the most efficient and effective methods and procedures. Training at the State level will continue on the JTPA amendments, EDWAA, and TAA.

Each Regional Office will be expected to conduct, in coordination with the State, a system of evaluation and monitoring of programs and systems to ensure effective results and minimize noncompliance or nonconformity with appropriate ETA regulations. The Regional Offices will monitor UI, JTPA, EDWAA, Wagner-Peyser, and TAA programs. The oversight strategy will generally include program and compliance reviews which are conducted on-site in States and sub-state areas.

Regional Office UI activities will continue to be directed at enhancements to the UI Quality Assurance systems. This will include an expanded Regional Office role in the review and assessment of current UI performance measurements associated with the Quality Appraisal system and development of improved UI performance measurements. In addition, Regional Offices will participate in finalizing the design of the Revenue QC component as part of a UI Benefits and Revenue QC system.

Regional Offices will continue to review the consistency of State UI laws with Federal UI requirements and provide oversight of State UI trust fund adequacy and UI administrative grants. Regional Offices will assist States in implementing new UI cash management requirements. Regional Offices will support efforts to evaluate the UI Alternative Uses demonstration projects for dislocated workers.

As shown below, alien labor certification activity is projected to increase substantially over the next few years, if, as expected, employer behavior changes in response to anticipated increases in enforcement activities by the Immigration and Naturalization Service and imposition of employer sanctions mandated by IRCA. Should the numbers of applications not increase as projected, backlogs would remain at manageable levels.

Agricultural Applications

	1989	1990	1991
Carry-in	--	--	--
New applications received	3,025	6,700	6,700
Applications processed	3,025	6,700	6,700
Backlog	--	--	--

Non-Agricultural Applications

	1989	1990	1991
Carry-in	7,862	11,457	53,085
New applications received	60,849	77,400	77,400
Applications processed	57,254	35,772	38,192
Cases in process	5,070	6,450	6,450
Backlog (cases)	6,387	46,635	85,843
Backlog (in months)	1	16	27

In 1990 and 1991, staff will be diverted from processing Non-Agricultural applications to process Temporary Agricultural applications because of the statutory time frames. As a result, ETA expects the backlog of Non-Agricultural petitions to increase to 46,635 cases in 1990, and 85,843 cases in 1991.

Regional Offices will continue to perform all necessary duties attendant to grant administration and will continue to carry-out fact-finding investigations under the TAA program.

1990

The Regional Offices are working closely with the States in implementing the EDWAA program and the amendments to the TAA program. Activities include providing advice and technical assistance as needed and tracking the State's achievement of significant implementation milestones and/or implementation problems. The Regions are also involved in the implementation of WARN.

Regional Offices, using the year 2000 Workplace Literacy and Workplace Learning as vehicles, are continuing to facilitate State efforts in achieving programmatic improvements that better enable States to respond to labor market changes. Regional Offices are also working with grantees in improving program quality and providing enhanced services to at-risk youth. The Regions are also promoting and providing training on youth competency performance standards.

Regional Offices are carrying out the Secretary's oversight responsibilities for JTPA and Wagner-Peyser. JTPA activities will concentrate on efforts designed to improve program delivery through both legislative and administrative actions. For JTPA, the Regional Offices are also conducting management and compliance reviews in integrity areas such as financial and cash management, audit resolution and debt management, monitoring systems and procurement management. In addition, Regional input and participation will involve the development of thematic reviews of important provisions of JTPA. EDWAA oversight is a priority area for the Regions. Intensive monitoring of this program is required during its implementation especially in key features like rapid response and labor management cooperation. The Regional Offices will conduct a comprehensive review of all JTPA Summer Youth Programs. For the Employment Service, the ES cost reimbursable grants will be reviewed.

Regional Offices will closely monitor State UI activities through the year to administer the program within existing resources.

During the year, Regional staff will be called upon to assist in evaluating the review system and all review guides. They will serve on work groups to provide input for changes and be involved in pilot testing of any new restructured review instruments.

Regional Office activities will be directed at a host of efforts designed to enhance UI quality assurance systems. These efforts will include participation by Regional Offices in developing the design of a Revenue QC component to augment the existing Benefits QC program. Also, Regional staff will participate in a comprehensive review of UI performance measurements associated with the UI Quality Appraisal system.

Regional Offices will continue to review the consistency of State UI law with Federal UI requirements and provide oversight of State UI trust fund adequacy and UI administrative grants. Regional Offices will assist in the design and development of new State UI cash management systems and assist in the evaluation of State UI alternative uses demonstrations. Further, Regional Offices will assist in coordinating activities associated with UI, TAA and EDWAA benefits programs in States.

Regional Offices will continue to perform all necessary duties attendant to grant administration and will continue to carry out fact-finding investigations under the TAA program.

1989

Policy leadership activities, such as promoting the Secretary's objectives regarding better services to at-risk youth and improving workplace literacy, the JTPA management review and oversight systems, alien certification activities and the UI QC program were priority areas of activity for the Regional Offices in 1989.

Workforce 2000 policy leadership activities are designed to promote programmatic responses to changing labor markets, with particular emphasis on improving services to disadvantaged youth and to dislocated workers. Building on the momentum generated in 1987 and 1988, Regional Offices worked with grantees and other interested parties to translate awareness of the new labor market dynamics into localized action plans. Regional Offices also encouraged and facilitated coordination between JTPA, ES and other Federal and State programs including JOBS and Vocational Education.

The Regions promoted the Workforce 2000 initiative by bringing together education, business, and labor at State and local levels at numerous conferences and meetings, in an effort to enhance the quality of the entry level workforce needed by business.

The management review and consultation system for JTPA, consisting of management reviews and compliance reviews conducted in alternating years, has continued in 1989. Through both types of reviews, Regions provided advice to strengthen program management and administration.

The UI QC program was fully operational in all States in 1989. Regional Office staff efforts focused on providing technical assistance, conducting re-reviews of a subsample of State QC cases, monitoring of the State systems and procedures, and performing in-depth analysis QC results. Regional Offices continue to review the consistency of State laws with Federal law requirements and provided oversight of State trust fund management and State administrative grants.

Regional Offices continued to have operational responsibility for the alien labor certification program including additional responsibilities and workload associated with implementation of IRCA. Additional staff was allocated to process a substantial increase in applications in both the Non-Agricultural and Agricultural programs. In addition, special efforts were undertaken to reduce backlogs in those Regions with substantial backlogs.

In addition to these activities, Regional Offices continued to have responsibilities for UI grant management, WIN grant management, trade fact-finding investigations, and other administrative functions.

Changes in 1991

Activity Changes:	
Built-In:	
Within-grade promotions	$122,000
Merit pay	85,000
One day of additional pay	97,000
Annualization of pay increase effective January, 1990	274,000
Pay increase effective January, 1991	640,000
Bonuses	3,000
Personnel benefits	262,000
Travel	71,000
Rent	240,000
Communications	15,000
Printing	1,000
Other services	46,000
Supplies	2,000
Equipment	2,000
Administrative support services (WCF)	80,000
Total Built-in:	$1,940,000
FTE	--
Net Program	-$851,000
FTE	-14

Regional Operations

Proposal: A reduction of 14 FTE from the Regional Offices.

Rationale: To provide for a reduction to maintain staffing in high priority program areas and due to budgetary constraints.

Program Effects: Policy leadership activities, such as participation in certain conferences and meetings related to Workforce 2000 and coordination of training and employment programs at Regional, State, and local levels will be curtailed. TAT activities will be reduced due to an expected decrease for EDWAA related TAT. There will be a slight reduction in Federal oversight of State/Federal UI programs.

Base:
FTE: 580 Estimate: $38,592,000

Program Decrease:
FTE: -14 Estimate: -$851,000

APPRENTICESHIP SERVICES

JUSTIFICATION

1990 Appropriation		1990 Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
245	$15,517,000	245	$15,517,000	-0-	-0-	239	$14,607,000	-6	-$910,000

INTRODUCTION

The National Apprenticeship Act (Public Law 75-308), enacted in 1937, established a system for developing and expanding the Nation's skilled worker resources through systematic employment and training. The role of BAT is the appraisal and promotion of apprenticeship programs, while authority and responsibility for the actual training lies within the private sector.

The Federal Government encourages apprenticeship through promotional efforts by a Federal field staff of BAT representatives. These efforts are supplemented by State apprenticeship staff in 27 States. Technical assistance and advisory services are provided to private enterprise in developing, installing, and administering apprenticeship and allied industry training. This is achieved by direct contact with employers, employer associations, and labor organizations at the National, State, and community levels.

Attention is continually given to eliminating artificial barriers against entering the work force. Equal opportunity is emphasized in apprenticeship training programs. Efforts are constantly being made to improve the quality of apprenticeship programs and to increase public awareness and recognition of such programs as an effective method of providing employers with skilled workers. Support services are provided for the Federal Committee on Apprenticeship which will be reactivated in Fiscal Year 1990.

1991 Budget Request

The Bureau will continue its efforts with existing programs and expand apprenticeship into new industries and occupations. A major emphasis will be placed upon assessing and implementing improvements in Bureau functions related to promotion, compliance, and equal employment opportunity activities. Implementation of new regulations will continue with special emphasis placed upon improving the quality of both new and existing apprenticeship programs.

Program and management objectives for 1991 are:

o To promote expansion of the apprenticeship concept by forming partnerships with industries new to this form of training.

- To continue to promote emerging approaches to improving skill training of workers
- To improve the coordination of apprenticeship training and related programs.

1990

In 1990 the final report will be issued from the Apprenticeship 2000 review, entitled "Work-Based Learning: Training America's Workers." The Bureau will begin implementing some of the report's recommendations for strengthening the current apprenticeship system. Included among these activities will be the issuance of proposed revisions to its apprenticeship regulations. Final regulations are to be issued later in 1990. A reconstituted and recharted Federal Committee on Apprenticeship will provide guidance and assistance to the Bureau. Work will commence on the development of a handbook on program quality, designed to define objectives to improve the quality of apprenticeship programs. To advance the Secretary's Seven-Point Skills Reform Plan, demonstration projects aimed at forming partnerships with industry groups will be initiated. These demonstrations will be designed to help expand private sector work-based training programs.

The Bureau will be transferred from the Office of Job Training Programs to the newly created Office of Work-Based Learning, which will have responsibility for apprenticeship, dislocated worker, and trade adjustment assistance programs.

1989

In 1989 the Bureau completed its Apprenticeship 2000 review. A report summarizing public responses to two focus papers published in the Federal Register, was completed. These focus papers covered expansion themes, program quality, linkages with other education and training programs, and Federal/State relations. In addition, a report of executive summaries from a number of short-term research projects was issued. The Apprenticeship 2000 final report was drafted. This report contained recommendations for strengthening the current apprenticeship system and applying the concepts of work-based training programs to increase the extent and quality of private training efforts.

In addition, a series of JTPA research grants was awarded to begin the expansion of work-based training programs. Under these grants, partnerships will be formed with corporations, industry associations, and small business consortiums to implement new program models for work-based learning.

Apprenticeship standards were reviewed and updated to incorporate skill requirement changes and technological advancements. Standards were developed and registered for ten new national apprenticeship programs. Eleven new occupations were approved for inclusion in apprenticeship training.

The Bureau is now in the process of expanding its Apprenticeship Management System, by improving and upgrading the hardware and software upon which it is based. A minority contract was awarded to review the current system and design a new management information system which will provide support to Bureau field staff and program sponsors.

Changes in 1991

Activity Changes:	
Built-In:	
Within-grade promotions	$73,000
Merit pay	36,000
One day of additional pay	42,000
Annualization of pay increase effective January, 1990	117,000
Pay increase effective January, 1991	337,000
Bonuses	1,000
Federal Employees' Compensation Fund	16,000
Personnel benefits	137,000
Travel	18,000
Communications	10,000
Printing	1,000
Other services	97,000
Supplies	3,000
Equipment	2,000
Administrative support services (WCF)	85,000
Total Built-in:	$975,000
FTE	--
Net Program	-$1,885,000
FTE	-6

Apprenticeship Services

Proposal: A reduction of four FTE from Apprenticeship Services.

Rationale: To provide for a reduction to maintain staffing in high priority program areas and due to budgetary constraints.

Program Effects: A reduction of 4 FTE in 1991 will slow Departmental efforts to expand the Apprenticeship Program, and assist the construction and manufacturing industries in their efforts to increase training activities to replace aging skilled workers. Activities would be reduced as follows:

1. Promotional contacts	276
2. Servicing program sponsor accounts	360
3. Equal Employment Opportunity compliance reviews	54
4. Quality compliance reviews	66
5. Activities other than above (i.e. conferences, meetings, completion ceremonies, etc.)	30
TOTAL	786

Base:
FTE: 245 Estimate: $16,492,000

Program Decrease:
FTE: -4 Estimate: -$323,000

Apprenticeship Services

Proposal: A reduction in contract resources and related staff for the Apprenticeship Services program.

Rationale: These resources were added in 1990 to provide for one-time pilot and demonstration activities.

Program Effects: None.

Base:
FTE: 2 Estimate: $1,562,000

Program Decrease:
FTE: -2 Estimate: -$1,562,000

ADVISORY AND ASSISTANCE SERVICES

	FY 1990	FY 1991
Type of Services		
Advisory and Assistance Services	-0-	-0-
Personnel Appointments:		
a. Consultants and Experts	40,000	40,000
b. Advisory Commission Members	-0-	-0-
Total	$40,000	$40,000

Justification of 1991 Request

ADVISORY and ASSISTANCE SERVICES:

PERSONNEL APPOINTMENTS:

Consultants and Experts ($40,000):

These funds will be provided to the Executive Direction and Administration activity to provide for consultant and expert services to the Assistant Secretary, on the role, responsibilities, and activities of ETA.

In previous years funds have been utilized to develop and implement the JTPA legislation, review the activities of ETA Regional Offices, and assist in developing and implementing the UI QC program.

STANDARD FORM 306
July 1966, Bureau of the Budget
Circular No. A-11, Revised.
306-103

PA-49

DETAIL OF PERMANENT POSITIONS

	1989 actual	1990 estimate	1991 estimate
Executive level I	--	--	--
Executive level II	--	--	--
Executive level III	--	--	--
Executive level IV	1	1	1
Executive level V	--	--	--
Subtotal	1	1	1
ES-6	--	--	--
ES-5	3	3	3
ES-4	21	21	21
ES-3	2	2	2
ES-2	1	1	1
ES-1	4	4	4
Subtotal	31	31	31
GS-18	--	--	--
GS-17	--	--	--
GS-16	--	--	--
GS/GM-15	87	86	86
GS/GM-14	176	171	168
GS/GM-13	470	463	450
GS-12	383	371	360
GS-11	157	159	153
GS-10	--	--	--
GS-9	50	57	57
GS-8	17	17	17
GS-7	113	95	93
GS-6	107	104	100
GS-5	145	142	137
GS-4	33	32	32
GS-3	9	9	9
GS-2	2	2	2
GS-1	--	--	--
Subtotal	1,749	1,708	1,664
Ungraded	--	--	--
Total Permanent Positions 1/	1,781	1,740	1,696
Unfilled Positions, end-of-year	85	42	30
Total Permanent Employment, end-of-year 2/	1,696	1,698	1,666
1/ Included in the total:			
Program Administration	(1,753)	(1,725)	(1,693)
Reimbursable Program	(3)	(3)	(3)
Work Incentives	(25)	(12)	--
2/ Included in the total:			
Program Administration	(1,669)	(1,695)	(1,663)
Reimbursable Program	(2)	(3)	(3)
Work Incentives	(25)	--	--
(Mono cast: 16.3)	(Mono cast: 4.9)	(Mono cast: 4.9)	(Mono cast: 4)

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

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EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

For expenses necessary to carry into effect the Job Training Partnership Act, including the purchase and hire of passenger motor vehicles, the construction, alteration, and repair of buildings and other facilities, and the purchase of real property for training centers as authorized by the Job Training Partnership Act, [$3,907,746,000] *$3,439,864,000*, plus reimbursements, to be available for obligation for the period July 1, [1990] *1991*, through June 30, [1991, of which $58,996,000 shall be for carrying out section 401, $70,000,000 shall be for carrying out section 402, $9,474,000 shall be for carrying out section 441, 1/ $2,000,000 shall be] *1992, including $1,894,000* for the National Commission for Employment Policy, [$4,100,000 shall be] *and $2,500,000* for all activities conducted by and through the National Occupational Information Coordinating Committee under the Job Training Partnership Act, and [$5,150,000 shall be for service delivery areas under section 101(a)(4)(A)(iii) of the Job Training Partnership Act in addition to amounts otherwise provided under sections 202 and 251(b) of the Act; 2/ and, in addition, $50,432,000 is appropriated for the Job Corps, in addition to amounts otherwise provided herein for the Job Corps, to be available for obligation for the period July 1, 1990 through June 30, 1993; 3/ and, in addition, $13,000,000, of which $1,500,000 shall be available for obligation for the period October 1, 1990 through September 30, 1991,] 4/ *$11,500,000* is appropriated for activities authorized by title VII, subtitle C of the Stewart B. McKinney Homeless Assistance Act: *Provided*, That no funds from any other appropriation shall be used to provide meal services at or for Job Corps centers.

[For Job Corps program operations authorized by the Job Training Partnership Act, $13,492,000, in addition to amounts otherwise provided herein for these purposes, to be available for obligation for the period July 1, 1989, through June 30, 1990.] 5/ *(Department of Labor Appropriations Act, 1990; additional authorizing legislation to be proposed for $11,500,000.)*

Explanation of Language Change

1/ Funding for the Native Americans, Migrant and Seasonal Farmworkers and Veterans' Employment need not be specified in appropriation language since the statutorily determined funding levels are being requested.

2/ No set aside funding is requested for Rural Concentrated Employment program service delivery areas. These areas will continue to receive formula funds distributed by the Governors to service delivery areas in their State.

3/ No three year obligational authority for expenses of Job Corps is requested. Language has been requested to follow past practice and allow these expenditures intended for construction, rehabilitation and acquisition of properties to be financed from a single amount for Job Corps. This will provide program managers adquate flexibility to allocate funds to the most pressing program needs. Multi-year obligational authority is not necessary.

4/ This language making a portion of the funds appropriated in 1990 for title VII, subtitle C of the Stewart B. McKinney Homeless Assistance Act available for obligation in Fiscal Year 1991 is no longer required. Separate language requesting additional funds for this program in 1991 is included.

5/ This language appropriating additional funds to meet a one-time need for Job Corps for Program Year 1989 is no longer required.

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
"...including *$1,894,000* for the National Commission for Employment Policy, *and $2,500,000* for all activities conducted by and through the National Occupational Information Coordinating Committee under the Job Training Partnership Act."	The language specifies the amounts provided to the National Commission for Employment Policy and the National Occupational Information Coordinating Committee.
"... *$11,500,000* is appropriated for activities authorized by title VII, subtitle C of the Stewart B. McKinney Homeless Assistance Act...."	The language specifies the amount provided for training programs for the homeless. Legislation will be proposed to extend this program through 1991.

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable	1990	1991
Appropriation	$3,785,687,000	$3,983,170,000	$3,452,864,000 2/
Appropriation available in prior year 1/	-2,518,000	--	--
Reduction pursuant to P.L. 99-177	--	-54,216,000	--
A. Subtotal, appropriation	3,783,169,000	3,928,954,000	3,452,864,000
Comparative transfer to: Federal Unemployment Benefit and Allowances	-45,352,000	--	--
Worker Readjustment	-283,773,000	-463,603,000	--
B. Total Available Budget Authority	3,454,044,000	3,465,351,000	3,452,864,000
Other unobligated balances, start of year	1,223,161,000	1,213,978,000	1,242,080,000
Other unobligated balances, end of year	-1,213,978,000	-1,242,080,000	-1,242,698,000
Unobligated balance lapsing	-1,055,000	--	--
C. Total, estimated obligations	3,462,172,000	3,437,249,000	3,452,246,000

1/ Reflects the transfer of Trade Adjustment Assistance funds appropriated in FY 1989 for use in FY 1988 pursuant to Section 1426 (c) of the Omnibus Trade and Competitiveness Act, 1988 (P.L. 100-418).

2/ Includes $1,500,000 for title VII, subtitle C of the Stewart B. McKinney Homeless Assistance Act that was included in the 1990 appropriation (P.L. 101-166) for use in 1991.

SUMMARY OF CHANGES

	1990	1991	Net Change
Budget Authority			
General Funds	$3,465,351,000	$3,452,864,000	-$12,487,000

Explanation of Change:

Increases:	
A. Built-In:	
To provide for net increased costs of the Job Corps	+21,280,000
B. Program:	
To provide for an increase in Job Corps operating costs due to the opening of two new centers (1989 Base: $823,894,000)	+10,837,000
To provide for an increase to expand Job Corps substance abuse program (1990 Base: $823,894,000)	+3,300,000
To provide for an increase in Job Corps construction funds to correct environmental problems at Job Corps facilities to comply with EPA standards (1990 Base: $823,894,000)	+1,000,000
To reflect an increase for Homeless Job Training under the Stewart B. McKinney Homeless Assistance Act for funds appropriated in 1990 but not awarded for obligation until 1991 (1990 Base: $11,343,000)	+1,500,000
To provide for an increase for Homeless Job Training under the Stewart B. McKinney Homeless Assistance Act (1990 Base: 11,343,000)	+157,000
Subtotal, Program	+16,794,000
Total Increase	+38,074,000
Decrease	
Program:	
To reflect reductions due to budgetary constraints:	
Training and Technical Assistance (1990 Base: $5,615,000)	-225,000
Labor Market Information (1990 Base $4,374,000)	-175,000

National Commission for Employment Policy (1990 Base: $1,973,000)	-79,000
National Occupational Information Coordinating Committee (1990 Base: $4,044,000)	-1,544,000
To reflect transfer of funding from Pilots and Demonstrations for Youth Opportunities Unlimited (YOU) demonstrations to the proposed new YOU program (1990 Base: $30,467.000)	-2,714,000
To return funding for Research and Evaluation to approximately the 1989 level (1990 Base: $15,712,000)	-2,466,000
To reflect decreases to conform to the statutorily determined funding levels:	
Native Americans (1990 Base: $58,193,000)	-614,000
Migrant and Seasonal Farmworkers (1990 Base: $69,047,000)	-13,213,000
Veterans' Employment (1990 Base: $9,345,000)	-482,000
To reflect anticipated savings from Job Corps linkages with JTPA and other human resource programs (1990 Base: $823,894,000)	-4,614,000
To reflect reduced costs of Job Corps operations resulting from the conversion of 800 slots to non-residential status (1990 Base: $823,894,000)	-1,600,000
To reflect a decrease in Job Corps relocation costs due to budgetary constraints (1990 Base: $823,894,000)	-14,796,000
To discontinue supplemental funding to the four Rural Concentrated Employment Programs (1990 Base: $5,080,000)	-5,080,000
To discontinue special funding for American Samoans (1990 Base: $2,959,000)	-2,959,000
Total Decrease	-50,561,000
Total Change	-12,487,000

BUDGET AUTHORITY BY ACTIVITY

Budget Authority applied to General Funds:	1989 Comparable	1990 Appropriations	1990 Estimate 1/	1991 Estimate	Change
1. Grants to States	$2,497,205,000	$2,948,319,000	$2,444,585,000	$2,444,585,000	$--
a. Block grant	1,787,772,000	1,768,886,000	1,744,808,000	1,744,808,000	--
b. Summer youth employment and training program	709,433,000	709,433,000	699,777,000	699,777,000	--
c. Dislocated worker assistance	--	470,000,000	--	--	--
2. Federally administered programs	956,839,000	1,034,851,000	1,020,766,000	1,008,279,000	-12,487,000
a. Native Americans	58,996,000	58,996,000	58,193,000	57,579,000	-614,000
b. Migrant and seasonal farmworkers	68,540,000	70,000,000	69,047,000	55,834,000	-13,213,000
c. Job Corps	741,825,000	813,689,000	802,614,000	818,021,000	+15,407,000
d. Veterans' employment	9,517,000	9,474,000	9,345,000	8,863,000	-482,000
e. National activities	77,961,000	82,692,000	81,567,000	67,982,000	-13,585,000
Training and technical assistance	(5,692,000)	(5,692,000)	(5,615,000)	(5,390,000)	(-225,000)
Labor market information	(4,875,000)	(4,434,000)	(4,374,000)	(4,199,000)	(-175,000)
Research and evaluation	(13,429,000)	(15,929,000)	(15,712,000)	(13,246,000)	(-2,466,000)
National Commission for Employment Policy	(1,976,000)	(2,000,000)	(1,973,000)	(1,894,000)	(-79,000)
National Occupational Information Coordinating Committee	(3,952,000)	(4,100,000)	(4,044,000)	(2,500,000)	(-1,544,000)
Pilots and demonstrations	(30,253,000)	(30,887,000)	(30,467,000)	(27,753,000)	(-2,714,000)
Rural concentrated employment program	(5,928,000)	(5,150,000)	(5,080,000)	(--)	(-5,080,000)
Homeless job training	(9,386,000)	(11,500,000)	(11,343,000)	(13,000,000) 2/	(+1,657,000)
American Samoans	(2,470,000)	(3,000,000)	(2,959,000)	(--)	(-2,959,000)
Total Budget Authority	3,454,044,000	3,983,170,000	3,465,351,000	3,452,864,000	-12,487,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177 .... $54,216,000

Comparative transfer to Worker Readjustment .... -$463,603,000

2/ Includes $1,500,000 for title VII, subtitle C of the Stewart B. McKinney Homeless Assistance Act that was included in the 1990 appropriation (P.L. 101-166) for use in 1991.

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions.. a/	28	28	28	--
Full-time equivalent:				
Full-time in permanent positions a/.........	27	27	27	--
Other positions.........				
Total a/...............	27	27	27	--
Average ES salary........	--	--	--	--
Average GM/GS grade......	11.7	11.7	11.7	--
Average GM/GS salary.....	$46,536	$46,536	$47,932	+$1,396
Average salary of ungraded positions.....	$51,175	$51,175	$52,710	+$1,535
Personnel compensation:				
Permanent positions....	$36,123,000	$36,123,000	$37,954,000	+$1,831,000
Positions other than permanent............	2,925,000	2,925,000	3,072,000	+147,000
Other personnel compensation.........	2,113,000	2,113,000	2,113,000	--
Subtotal, personnel compensation.........	41,161,000	41,161,000	43,139,000	+1,978,000
Personnel benefits.......	7,342,000	7,342,000	7,696,000	+354,000
Benefits for former personnel..............	228,000	228,000	228,000	--
Travel and transportation of persons............	1,876,000	1,870,000	1,870,000	--
Transportation of things.	722,000	722,000	741,000	+19,000
Space rental.............	399,000	394,000	336,000	-58,000
Communications, utilities, and other rent.........	5,731,000	5,730,000	5,875,000	+145,000
Printing and reproduction	384,000	379,000	365,000	-14,000
Other services b/........	51,846,000	51,459,000	49,288,000	-2,171,000
Supplies and materials...	21,132,000	21,131,000	21,743,000	+612,000
Equipment................	1,984,000	1,982,000	2,010,000	+28,000
Land and structures......	87,000	87,000	89,000	+2,000
Grants..................	3,850,244,000	3,332,832,000	3,319,449,000	-13,383,000
Insurance claims and indemnities...........	34,000	34,000	35,000	+1,000
Total, budget authority by object..............	3,983,170,000	3,465,351,000	3,452,864,000	-12,487,000

Advisory and assistance services included above	(--)	(--)	(--)	(--)
Federal Employees' Retirement System contributions included above	(1,624,000)	(1,624,000)	(2,269,000)	(+645,000)

a/ This reflects Federal staff who administer the National Commission for Employment Policy and the National Occupational Information Coordinating Committee. Personnel compensation and benefit funding amounts include 1,459 FTE for 1990 and 1,459 FTE for 1991 for Job Corps financed by allocations to the Departments of Agriculture and Interior.

b/ Includes the following amounts for services of other agencies:

Department of Interior	(9,284,000)	(9,284,000)	(9,558,000)	(+274,000)
Department of Agriculture	(14,546,000)	(14,546,000)	(14,974,000)	(+428,000)

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
1990 House Report (No. 101-30)	
Job Corps 1989 Supplemental	
"The Committee recommendation leaves intact the $35,568,000 set aside in the 1989 appropriations act for six new Job Corps centers on which the Committee expects the Department to move expeditiously. There can be no further reason for delay."	The Department is proceeding with the acquisition and renovation of facilities for six new centers. Four of those centers will be located in Manhattan, Kansas; Gadsden, Alabama; Minot, North Dakota; and Mt. Laguna, California. The States where the remaining two centers will be located are Connecticut and Alaska. The current schedule calls for the activation of two new centers in 1991 (Kansas and Alabama), two more in 1992, and the last two in 1993.
"The Committee intends to provide the additional operating funds required for the program year ending June 30, 1990 in the 1990 appropriations bill. In the meantime, the Department is directed to take no action that would have the effect of reducing enrollments or closing any existing center."	The Department took no actions to reduce overall enrollments or to close existing centers while awaiting passage of the 1990 appropriations bill.
1990 House Report (No. 101-172)	
Dislocated Workers Demonstrations	
"The Committee encourages the Secretary of Labor, in carrying out demonstration programs authorized under section 324 (a), to set aside funds for the job creation demonstration program, section 324(a)(4). In implementing this program, the Secretary is encouraged to give priority for funding to non-profit community development corporations with a record of achievement in promoting economic development and job creation projects."	The Secretary, in carrying out demonstration programs authorized under section 324(a), is planning to fund a job creation demonstration program using 1989 funds. The Department will continue this program with 1990 funds. In making these competitive awards, consideration will be given to those applicants, including non-profit community development corporations with demonstated records in promoting economic development and job creation projects.

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
Job Corps-New Centers	
"As noted in the House Report on the 1989 Dire Emergency Supplemental Bill, the Department is expected to move expeditiously in beginning all six of these new centers"	The Department is proceeding with the acquisition and renovation of facilities for six new centers. Four of those centers will be located in Manahttan, Kansas; Gadsden, Alabama; Minot, North Dakota; and Mt. Laguna, California. The States where the remaining two centers will be located are Connecticut and Alaska. The current schedule calls for the activation of two new centers in 1991 (Kansas and Alabama), two more in 1992, and the last two in 1993.
Job Corps-Center Closings	
"The Committee directs that no current Job Corps centers are to be closed."	The Department does not intend to close any existing Job Corps centers in PY 1990.
American Samoan Program	
"The Committee expects that the American Samoan program will be open to competition in 1990 to all States with concentrations of Samoans."	It is the Department's intent to distribute the funds in accordance with the Conference Committee's recommendation.
Farmworkers Technical Assistance Program	
"The Department is currently in the second year of a two-year agreement to provide essential data and technical assistance regarding the changing needs of farmworkers and their families and the effectiveness of services provided to them under this program. The Committee urges the continuation of this information and training activity for Program Year 1990."	Upon completion of this contract, efforts will be directed toward providing direct technical assistance to section 402 grantees. Section 455 funds will be reserved to finance those activities in support of the section 402 program and will be awarded competitively.

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
Migrant and Seasonal Farmworkers Housing	
"In order to improve housing conditions for migrant and seasonal farmworkers, the Committee directs that, for Program Year 1990, the Department of Labor continue the farmworker housing program at a level no less than that in effect for Program Year 1989.	The Department plans continuation of this program in 1990 at approximately the same level maintained in 1989.
1990 Senate Report (No. 101-41)	
Job Corps 1989 Supplemental	
"The Committee expects the Department of Labor to carry out congressional intent to establish six new Job Corps centers, without further delay. At the same time, the Labor Department is directed to maintain Job Corps enrollment at no less than current levels, and not to close any existing centers."	The Department is proceeding with the acquisition and renovation of facilities for six new centers. Four of those centers will be located in Manhattan, Kansas; Gadsden, Alabama; Minot, North Dakota; and Mt. Laguna, California. The States where the remaining two centers will be located are Connecticut and Alaska. The current schedule calls for the activation of two new centers in 1991 (Kansas and Alabama), two more in 1992, and the last two in 1993. The Department has taken no actions in PY 1989 to reduce the overall enrollment level or to close any existing center.

SIGNIFICANT ITEMS IN 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
FY 1989 American Samoan Program	
"The Committee is concerned that the Department has not been sufficiently sensitive to the difficulties the State of Hawaii is encountering in establishing a culturally effective job training program for American Samoans residing in Hawaii and on the mainland. For example, the Committee expects that the funds provided in the regular fiscal year 1989 appropriations bill will be used to establish outreach programs on the various Hawaiian Islands and thus result in significant administrative costs and possible reduction in training services during the startup years. The Department is directed to work closely with the State of Hawaii to ensure that funds necessary for administrative purposes shall be released and further, that the State shall be able to expand last year's program to similarly address the pressing employment needs of other Pacific islander and Asian immigrants. It is the Committee's intent that all funds appropriated for this program be expended through the State of Hawaii Department of Labor."	The Department has met with representatives of the State of Hawaii and all funding issues and problems were resolved to the satisfaction of all parties.

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SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
1990 Senate Report (No. 101-127)	
Fixed Unit Price Contracting Under JTPA	
"The Committee has been concerned that service delivery areas have been using fixed unit price contracts in the JTPA program in order to avoid the 15-percent limitation on administrative costs imposed by current law. ...The Committee directs the Department to enforce the spirit and letter of the law to curb this abuse."	The Department has issued a notice to the States which emphasizes the Department's position with respect to performance based contracts. The Department also has addressed this issue in its proposed legislation to amend JTPA. Finally the Department is developing a revised oversight system which will also carefully review this activity.
Excessive On-the-Job Training Under JTPA	
"The Committee is concerned that significant numbers of program participants are receiving excessive on-the-job training [OJT] for employment in such low-skill occupations as dishwashers, custodians, laborers, and laundry workers. ...The Committee expects the Department to more closely monitor the number of hours of OJT that program participants are provided, and to better ensure its contractors follow established training guidelines particularly those participants that are receiving low skill-type training."	The Department intends to carefully review this issue and take administrative actions to correct any abuses through revised JTPA oversight requirements currently under developement. The Department also has addressed this issue in its proposed legislation to amend JTPA.

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
Dislocated Worker Demonstration Programs	
"...the Committee directs that funds appropriated to section 324(a) of the act be used to implement the dislocated farmer and the job creation demonstration programs. In implementing the job creation demonstration programs, the Committee expects the Department of Labor to work in close consultation with the Office of Community Services within the Department of Health and Human Services and to carry out a program that may be used by nonprofit community development corporations. The Committee expects the Labor Department to give priority consideration to funding projects in rural areas in States such as Iowa which have particular needs for both dislocated farmer assistance and job creation demonstration projects."	The Department is implementing dislocated farmer and job creation demonstration programs using PY 1989 funds and will continue them using PY 1990 funds appropriated to Section 324(a). In implementing the job creation demonstration program, the Department expects to consult with the Office of Community Services in HHS and will invite nonprofit community development corporations to apply for funds. It is Departmental practice to use competitive solicitations whenever possible for its demonstration programs. Rural areas including those cited in the report will be eligible to apply for both these demonstration programs.
"The Committee directs the Labor Department to fund a public works demonstration program, a component of the demonstration fund authorized under the Omnibus Trade Act, and recommends that a demonstration project be conducted in Alexander County in southern Illinois."	A public works demonstration program was implemented using PY 1989 funds in those areas affected by the recent natural disasters. These areas experienced major worker dislocations and have urgent needs for public works.

SIGNIFICANT ITEMS IN 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
Farmworkers Technical Assistance Programs	
"The Department currently is in the second year of a 2-year agreement with the Association of Farmworker Opportunity Programs to provide essential data regarding the changing needs of farmworkers and their families and the effectiveness of services provided to them under the program. The Committee urges the Department to continue the collection of this data and further recommends that the Department utilize available funds under section 455 of JTPA to provide necessary technical assistance to section 402 grantees."	Upon completion of this contract, efforts will be directed toward providing direct technical assistance to section 402 grantees. Section 455 funds will be reserved to finance those activities in support of the section 402 program and will be awarded competitively.
Migrant and Seasonal Farmworkers Housing	
"The Committee expects the Department to continue funding the Farmworker Housing Program at a level no less than that in effect for program year 1989."	The Department intends to maintain the farmworker housing activity at the same level as in PY 1989.
Job Corps-Denison Iowa Center	
"The Committee directs the Secretary to utilize a portion of the increase provided for Job Corps activities to renovate a building at the Denison, IA, center, as well as provide operational funding for a residential child care solo parent program to be established at this facility."	The initial 1990 appropriation included $1 million above the Department's request for the renovation and improvement of existing Job Corps facilities. As a result of budget reconciliation, the amount available is only $518,000 more than was requested and this is the amount that will be used for renovations at the Denison Job Corps center to implement a residential child care program. The establishment of a residential childcare component at Denison coincides with current initiatives to improve services and opportunities for young women.

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
Job Corps - PY 1989 Shortfall	
"The Committee directs that $13,000,000 provided to mitigate the program year 1989 shortfall be allocated to the Job Corps centers from which reductions have been made as a result of the shortfall."	In program year 1989, the Department enforced cost containment measures through across-the-board spending reductions of roughly 2 percent at all Job Corps centers. This percentage reduction assumed Congress would provide the requested supplemental of $13.5 million. Therefore, the subsequent provision of the supplemental cannot reverse the 2 percent reductions that were built into the center operating budgets for PY 1989.
Job Corps - Substance Abuse Counseling	
"The Committee urges the Job Corps Program to augment substance abuse counseling, and every effort should be made to take advantage of education and prevention programs funded elsewhere in this bill to strengthen services to enrollees."	The Department will continue to seek augmentation of funding for its drug abuse education and prevention activities through linkages with other programs. It should also be noted that our 1991 budget request includes an enhancement of $3.3 million for these types of activities.
Job Corps - New Centers	
"The Committee is pleased that the Labor Department has announced the opening of six new Job Corps centers previously mandated by Congress, and expects the Department to expedite steps necessary to make these new centers fully operational. No existing residential or nonresidential Job Corps facilities should be closed, unless they fail to meet minimum performance standards."	The Department is proceeding with the acquisition and renovation of facilities for six new centers. Four of those centers will be located in Manhattan, Kansas; Gadsden, Alabama; Minot, North Dakota; and Mt. Laguna, California. The States where the remaining two centers will be located are Connecticut and Alaska. Two new centers will open in 1991 (Kansas and Alabama), two more in 1992, and the last two in 1993. The Department has no current plans to close any existing Job Corps centers.

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SIGNIFICANT ITEMS IN 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
"The Committee strongly supports the continued expansion of the Job Corps and directs that any savings available after construction of the six new centers be used to open additional centers. In selecting additional sites, priority consideration should be given to those previously submitted applications which exhibited strong linkages with other employment and training programs, but which may not have been selected because existing facilities were not available to house a center; to States in which there is presently no Job Corps center and to States which have demonstrated strong State and local support for additional Job Corps centers."	The Department does not anticipate that the costs of acquiring, renovating and equipping the facilities for the six new centers already announced will result in sufficient savings to be used for new centers. If the opportunity does arise to open any new centers beyond the six already announced, the Department would conduct a new solicitation process to ensure that site selection is based on applications containing current information. The factors identified by the Committee will be included in reviewing the proposals.
FY 1989 Americans Samoan Program	
"...the Committee directs the Department to work with the State of Hawaii to continue its fiscal year 1989 programs serving Samoans and other Pacific islander and Asian immigrants, and further that the Department shall ensure that the funds deemed necessary for administration and job training services coordination for Hawaii's program shall be released."	The Department met with representatives of the State of Hawaii and all funding issues and problems were resolved to the satisfaction of all parties.

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
Research and Demonstration Activities	
"Within the amount recommended for research and demonstration activities, the Committee directs the Department to earmark up to $2,500,000 to: (1) develop a methodology to annually identify national labor shortages; (2) within 18 months, publish a list of national labor shortages, including appropriate descriptive information; (3) also within 18 months, prepare an annual plan that specifies action to be taken by the Secretary to reduce the shortages identified, and makes recommendations for other agencies and organizations; and (4) conduct research to seek means of identifying shortages at the regional, State, and local levels."	The Department intends to start activities in PY 1990 to develop a methodology to identify national labor-shortages, to formulate a plan to address these labor shortages, and to disseminate information on which occupations are experiencing excess demand nationwide. The Department will also begin research on identifying shortages at the regional, State, and local levels.
Doctoral Dissertation Grant Program	
"Since the condition of the Nation's work force is going to remain vitally important to the country's economic future, a well-trained group of professionals will be needed to help decisionmakers assess that work force. The Committee, therefore, encourages the Employment and Training Administration to revive its doctoral dissertation grant program, which from 1968 to 1984 produced more that 500 Ph.D. dissertations on various aspects of labor market performance and policy and helped some of the most respected labor market researchers begin their distinguished careers."	The Department will give consideration in PY 1990 to instituting a doctoral dissertation grant program. However, given resource limitations and other higher priorities, such a program may not be possible.

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SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
Welfare Employment Demonstration Project "The Committee recommends that the Secretary consider funding of a national welfare to employment demonstration project, in a county with successful experience in developing such a program, that would encompass support services such as child care, transportation and housing, as well as education and training. Such a project would also include community college linkages, employer mentors, and hands-on involvement in operations and evaluation by the private sector."	The Department will be jointly funding with HHS, in PY 1989, research on the effects of welfare-to-employment linkages. This research will examine the effects of client characteristics and differences in service strategies on employment, earnings and welfare receipt, with particular emphasis on coordinated programs. HHS is also devoting substantial effort to an evaluation of the JOBS program. The Department is also considering participating in an independent implementation study that will explore these linkages in 10 States in greater detail. Given other priorities for FY 1990, no additional pilot projects are planned.
Training Assistance To Targeted Populations "The Committee recommends that up to $75,000 be made available to assist the municipality of Anchorage, Alaska in providing employment and training assistance to target populations. A portion of the funds would be used to expand computer training and child development training for senior citizens over the age of 55. The remaining funds are being provided to assess how Alaska Natives adjust to urban living, and to establish a pilot alternative school program to address the high drop-out rate of Alaska Native youth living in Anchorage. The Committee expects the pilot program to become an integral part of existing community-based programs designed to reduce alcohol and drug abuse, violence, and suicide among Alaska Native youth."	The activities proposed by the Committee are types of employment and training activities which are typically provided with State or local funding by JTPA. Given other priorities for FY 1990, no funds will be set-aside for these activities.

SIGNIFICANT ITEMS IN 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
Indian Resource Consortium	
"The Committee recommends that up to $750,000 be made available to support the Indian Resource Consortium located at New Mexico State University for the purpose of developing an effective method of delivering training education, technical assistance and applied research to Indian tribes through the colleges and universities in the Southwestern United States."	The Department has and will continue to contract, through a competitive procurement, with organizations to provide technical assistance and training on effective employment and training activities to Native American grantees operating JTPA programs under Section 401 of the Act. The consortium could apply through the planned competition.
Community-Based Family Farm Assistance Programs	
"The Committee recommends that up to $1,000,000 be made available for community-based family farm assistance programs, which provide debt management training, self-employment training, education and skill training, technical assistance, and support. Project awards are anticipated to average $300,000 per year for 3 to 5 years. Specifically, the Committee recommends that up to $300,000 be made available to Iowa Comprehensive Human Services, a community-based organization with established success in the provision of debt management training and related services for distressed farm families."	As mentioned earlier, the Department plans a competitively awarded dislocated farmer demonstration program that will cover the type of activities mentioned in this recommendation. We expect that our competitive grant solicitation will include provision for applicants to propose projects that include community-based organizations that provide comprehensive services to family-run farms.
Wood Products Industry	
"The Committee strongly urges the Secretary to give special attention to programs which aid dislocated workers in the declining wood products industry in the Pacific Northwest."	Almost twenty percent of the $463.6 million appropriated for dislocated workers activities under Title III of JTPA is available for demonstrations and other Federally approved projects. To the extent all needs cannot be met through formula funds administered by States and local communities, the Governor may submit applications for additional Federal assistance.

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
1990 Conference Report (No. 101-89) FUBA FY 1989 Supplemental	
FY 1989 American Samoan Program	
"The Conferees are concerned that the Department has not been sufficiently sensitive to the difficulties the State of Hawaii is encountering in establishing a culturally effective job training program for American Samoans residing in Hawaii and on the mainland. For example, the conferees expect that the funds provided in the regular fiscal year 1989 appropriations bill will be used to establish outreach programs on the various Hawaiian Islands and thus result in significant administrative costs and possible reduction in training services during the startup years. The Department is directed to work closely with the State of Hawaii to ensure that funds necessary for administrative purposes shall be released and further, that the State shall be able to expand last year's program to similarly address the pressing employment needs of other Pacific Islander and Asian immigrants."	The Department met with representatives of the State of Hawaii and all funding issues and problems were resolved to the satisfaction of all parties.
Job Corps - Expanding Current Centers	
"The conferees recommend that the Office of Job Corps give consideration prior to September 30, 1989, to expanding those Job Corps centers (1) which are currently operating in excess of their capacity, (2) which have predominantly Hispanic or other minority enrollment, and (3) which have demonstrated superior performance and effectiveness as determined by the Office in its annual rankings."	Except for the six new centers that have been mandated by Congress, the Department has no plans to expand Job Corps capacity. The Department at times does shift enrollment slots from one Job Corps center to another and agrees that the criteria stated in the conference report should be given consideration when these situations occur in the future.

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
1990 Conference Report (No.101-274)	
American Samoan Program	
"The Conference agreement includes... $3,000,000 to continue the Samoan employment and training initiative, including services to other Pacific Islander and Asian grants in the State of Hawaii. Of the total, $2,000,000 is for the State of Hawaii, $750,000 is for California and $250,000 is for Washington, as the vast majority of the target populations reside in these States."	The Department will allocate funds to States as specified by the report.
El Paso Job Corps Center	
"The conferees agree that $1,000,000 is included for expansion and renovation of the El Paso Job Corps center."	The Department has no plans to expand Job Corps capacity beyond the six new centers mandated by Congress. In this regard, there is no compelling reason to invest $1,000,000 to expand the El Paso Job Corps center. The 1990 request which was provided in the appropriation for Job Corps facilities is needed for high priority repair and renovation projects that have been identified and catalogued through our facility survey process. The diversion of any of these funds for costly facility expansions such as proposed for the El Paso center would require deferring these more important projects.
Job Corps II Demonstration Projects	
"The conferees are agreed that the nonresidential Job Corps II demonstration projects are to be continued in program year 1990."	The Department intends to provide continued funding in PY 1990 for the operation of the nonresidential pilot centers in New Orleans and Philadelphia, each of which have 225 slots.

SIGNIFICANT ITEMS IN 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
Goodwill Games	
"The conferees are also agreed that funding is included to provide materials to be used for Job Corps project involvement in the 1990 Goodwill Games."	The Department will follow Congressional intent in this matter. However, in response to Congressional requests, the allocation will be made from PY 1989 funds to ensure timely implementation of these projects. This will be done by deferring projects that can be delayed until PY 1990 without causing significant operational disruptions. The $500,000 was reduced to $493,000 as a result of sequestration.

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation		Budget Request 1990	Budget Request 1991
Authorizing legislation containing indefinite authority			
Job Training Partnership Act (29 U.S.C. 1501)		$3,911,594,000	$3,435,470,000
Authorizing legislation containing specific authority			
Item	Authority		
Job Training Partnership Act (29 U.S.C. 1501):			
Title IVF, National Commission for Employment Policy (29 U.S.C. 1771)	$2,000,000	1,973,000	1,894,000
Title IVE, National Occupational Information Coordinating Committee (29 U.S.C. 174)	Not more than $5,000,000	4,044,000	2,500,000
Stewart B. McKinney Homeless Assistance Act Title VII, Subtitle C (42 U.S.C. 11449)	$13,000,000 (FY 1990 only)	11,343,000	1,500,000
Authorizing legislation required in 1991			
Stewart B. McKinney Homeless Assistance Act Title VII, Subtitle C (42 U.S.C. 11449)		--	11,500,000

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APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981	$6,556,935,000	$6,156,763,000	--	$7,094,787,000
1982	3,237,655,000	3,671,129,000	3,114,168,000	3,023,201,000
1983	--	1/	1/	4,010,426,000
1984	3,643,330,000	2/ 6,579,514,000	2/ 6,399,408,000	2/ 6,546,225,000
1985	3,610,624,000	3,849,079,000	3,780,219,000	3,774,662,000
1986	2,389,484,000	3,621,045,000	3,453,677,000	3/ 3,337,192,000
1987	2,909,608,000	3,563,121,000	3,798,214,000	3,705,913,000
1988	3,285,548,000	3,697,685,000	3,939,201,000	4/ 3,807,651,000
1989	3,430,824,000	3,836,045,000	3,817,186,000	4/ 5/ 3,783,169,000
1990	3,861,316,000	3,976,486,000	4,000,684,000	3,983,170,000
Reduction pursuant to P.L. 99-177....				-54,216,000
1991	6/ 3,451,364,000			7/ 1,500,000

1/ Not considered due to lack of authorizing legislation.

2/ Includes financing for a nine month transition period and the first JTPA program year.

3/ Reflects $149,853,000 reduction pursuant to P.L. 99-177.

4/ Reflects the transfer of $2,518,000 of Trade Adjustment Assistant funds appropriated in FY 1989 for use in FY 1988 pursuant to section 1426(c) of the Omnibus Trade and Competiveness Act of 1988 (P.L. 100-436).

5/ Reflects $45,399,000 across-the-board reduction pursuant to P.L. 100-436.

6/ Authorizing legislation to be proposed for $11,500,000 to extend title VII subtitle C of the Stewart B. McKinney Homeless Assistance Act through 1991.

7/ Funds for title VII, subtitle C of the Stewart B. McKinney Assistance Act that were included in the 1990 appropriation (P.L. 101-166) for use in 1991.

EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

JUSTIFICATION

	1990 Appropriation	1990 1/ Estimate	Difference App/Estimate	1991 Estimate		Difference 1990/1991
Grants to States	$2,968,319,000	$2,444,585,000	-$503,734,000	$2,444,585,000		--
a. Block grant	1,768,886,000	1,744,808,000	-24,078,000	1,744,808,000		--
b. Summer youth employment and training program	709,433,000	699,777,000	-9,656,000	699,777,000		--
c. Dislocated worker assistance	470,000,000	--	-470,000,000	--		--
Federally administered programs	1,034,851,000	1,020,766,000	-14,085,000	1,008,279,000		-12,487,000
a. Native Americans	58,996,000	58,193,000	-803,000	57,579,000		-614,000
b. Migrant and seasonal farmworkers	70,000,000	69,047,000	-953,000	55,834,000		-13,213,000
c. Job Corps	813,689,000	802,614,000	-11,075,000	818,021,000		+15,407,000
d. Veterans' employment	9,474,000	9,345,000	-129,000	8,863,000		-482,000
e. National activities	82,692,000	81,567,000	-1,125,000	67,982,000		-13,585,000
Training and technical assistance	(5,692,000)	(5,615,000)	(-77,000)	(5,390,000)		(-225,000)
Labor market information	(4,434,000)	(4,374,000)	(-60,000)	(4,199,000)		(-175,000)
Research and evaluation	(15,929,000)	(15,712,000)	(-217,000)	(13,246,000)		(-2,466,000)
National Commission for Employment Policy	(2,000,000)	(1,973,000)	(-27,000)	(1,894,000)		(-79,000)
National Occupational Information Coordinating Committee	(4,100,000)	(4,044,000)	(-56,000)	(2,500,000)		(-1,544,000)
Pilots and demonstrations	(30,887,000)	(30,467,000)	(-420,000)	(27,753,000)		(-2,714,000)
Rural concentrated employment program	(5,150,000)	(5,080,000)	(-70,000)	(--)		(-5,080,000)
Homeless job training	(11,500,000)	(11,343,000)	(-157,000)	(13,000,000)	2/	(+1,657,000)
American Samoans	(3,000,000)	(2,959,000)	(-41,000)	(--)		(-2,959,000)
Total Budget Authority	3,983,170,000	3,465,351,000	-517,819,000	3,452,864,000		-12,487,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177 .... $54,216,000

Comparative transfer to Worker Readjustment .... -$463,603,000

2/ Includes $1,500,000 for title VII, subtitle C of the Stewart B. McKinney Homeless Assistance Act that was included in the 1990 appropriation (P.L. 101-166) for use in 1991.

General Statement

The Training and Employment Services appropriation provides for a decentralized system of skill training and related services directed toward increasing the post-program employment and earnings of economically disadvantaged persons. It is comprised of two activities -- Grants to States and Federally Administered Programs.

Beginning in 1991, resources previously provided in the Training and Employment Services account for dislocated workers under Title III of the Job Training Partnership Act (JTPA) will be requested in the new Worker Readjustment account. For comparison purposes, discussion of 1989 and 1990 will also be included in the new account.

Grants to States for the Block Grant and the Summer Youth Employment and Training Program give Governors the primary responsibility for the operation of training programs in their States. In partnership with the private sector and all levels of government, new training programs have been implemented which are designed to increase participant skills and competencies as well as private sector placements.

Separate programs designed to meet the training and employment needs of specific population segments experiencing unique employment problems account for most of the funds requested for Federally administered programs. Programs for Indians and Native Americans, migrant and seasonal farmworkers and veterans are conducted under JTPA. The Job Corps, which provides training opportunities for disadvantaged youth, will open two new centers in 1991. In addition, job training is provided to the homeless as authorized by the Stewart B. McKinney Homeless Assistance Act. Legislation will be proposed to extend the Homeless program through 1991.

The following budget justification discusses JTPA programs under existing legislation. However, legislation has been proposed amending the JTPA, beginning in Program Year 1990, to replace the existing Block Grant and Summer Youth programs with separate programs assisting adults and youth. These new programs, which would be aimed at those economically disadvantaged individuals with particularly severe barriers to employment, will enhance program quality by providing more intensive and comprehensive services. In conjunction with the new youth program, a Youth Opportunities Unlimited program will be established in selected communities to target comprehensive services on youth living in high poverty areas. Existing native American, migrant and seasonal farmworker, and veteran JTPA program levels will also be affected by the amendments. When the proposed legislation is enacted, an amended 1991 request will be submitted requesting an additional $317,141,000.

AVERAGE ENROLLMENT LEVELS [1]
FY 1991 REQUEST

	1989	1990	1991
Grants to States			
a. Block grant	424,500	416,000	416,000
b. Summer youth employment and training program [2] (participants)	632,700	625,000	625,000
Federally administered programs			
a. Job Corps	40,544	39,660	41,113
b. Other programs	32,100	32,800	28,000

[1] The impact of the minimum wage increase on JTPA programs has not yet been determined, but it is not expected to be significant. To the extent minimum wage affects JTPA program costs, workload estimates will be revised.

[2] Number of participants anticipated during the summers of calendar years 1990, 1991, and 1992.

GRANTS TO STATES

	1990 Appropriation	1990 1/ Estimate	Difference App/Estimate	1991 Estimate	Difference 1990/1991
a. Block grant	$1,768,886,000	$1,744,808,000	-$24,078,000	1,744,808,000	--
b. Summer youth employment and training program	709,433,000	699,777,000	-9,656,000	699,777,000	--
c. Dislocated worker assistance	470,000,000	--	-470,000,000	--	--
Total Budget Authority	2,948,319,000	2,444,585,000	-503,734,000	2,444,585,000	--

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177.......................... $33,734,000

Comparative transfer to
Worker Readjustment Account................................ -$463,603,000

Introduction

This activity includes two State operated programs authorized under JTPA: the Block Grant training program under Title IIA; and the Summer Youth Employment and Training program under Title IIB. Beginning in 1991, the Economic Dislocation and Worker Adjustment Assistance Program under Title III of JTPA will be included in the Worker Readjustment account.

Grants to States programs provide training and related education and employment services to economically disadvantaged adults (including welfare recipients) and to youth. Training and supportive services are designed to provide individuals with marketable skills leading to jobs in the private sector. Most of the funding for these programs is distributed using formulas contained in JTPA, as amended.

1991 Budget Request

Block Grant

The key principles underlying the JTPA Block Grant program budget request are:

- The primary purpose of the Block Grant program is providing skill training leading to unsubsidized employment. At least 70 percent of funds available to a service delivery area must be used for training.

- The private sector has a major role in the oversight, planning, decision making, and operation of programs at the local level.

> Governors have primary responsibility for administration and oversight of programs in their States. States have flexibility in design and management of systems and programs. The Federal role consists of monitoring State activities to ensure compliance with JTPA regulations and to provide guidance and assistance as needed.

Because of these principles, training is more pertinent to employer and labor market needs than under predecessor programs. Program results indicate that job placement rates will continue to be high. Approximately three-fourths of total available funds will be spent on training as opposed to administration and supportive services. Overall, classroom training will continue as the most common initial assignment.

The Program Year 1991 request for the Block Grant is $1,744,808,000, the same as the 1990 estimate. An annual average enrollment of 416,000 at a service year cost of $4,221 is estimated. Because of continuing productivity improvements the program's per participant and service year costs are expected to remain at the 1988 level through 1991. It is anticipated that approximately 849,900 persons will be newly enrolled in employment and training activities in PY 1991. Approximately 514,000, or 61 percent, of the 844,300 participants who will be terminating from training activities during PY 1991 are expected to enter employment.

Total estimated levels of participation and related costs for Program Years 1989, 1990 and 1991 are as follows:

	Average Enrollment	New Participants	Total Terminations	Total Entered Employment	Service Year Cost
PY 1989	424,500	867,300	861,600	524,500	$4,221
PY 1990	416,000	849,900	844,300	514,000	4,221
PY 1991	416,000	849,900	844,300	514,000	4,221

Summer Youth Employment and Training Program

The proposed level of $699,777,000 will serve, under present legislation, 625,000 participants in the summer of 1992 at a cost of $1,122 per participant.

Total estimated participation and related costs for the 1990, 1991, and 1992 summers follow:

	Total Participants	Participant Cost
1990 (PY 1989)	632,700	$1,122
1991 (PY 1990)	625,000	1,122
1992 (PY 1991)	625,000	1,122

1990 Program Year

Block Grant

The PY 1990 funding level for the Block Grant will be $1,744,808,000. An estimated average enrollment of 416,000, at a service year cost of $4,221 will be maintained. New enrollments will total an estimated 849,900 individuals. Of the estimated 844,300 terminations during the program year, approximately 514,000 or 61 percent, will enter employment.

Summer Youth Employment and Training Program

The PY 1990 level for the Summer Youth Employment and Training Program will fund the summer youth program for the summer of 1991. It is expected that the program will serve 625,000 youth at a unit cost of $1,122 in the summer of calendar year 1991.

1989 Program Year

Block Grant

The PY 1989 funding level for the Block Grant is $1,787,772,000. It is estimated that approximately 424,500 average enrollments will be provided at a unit cost of $4,221. Of the estimated 861,600 terminations during the program year, 61 percent, or 524,500 will enter employment.

Summer Youth Employment and Training Program

The PY 1989 funding level for the Summer Youth Employment and Training Program is $709,433,000, and will fund the Summer Youth Program during the summer of 1990. It is anticipated that the program will serve 632,700 economically disadvantaged youth at a unit cost of $1,122.

FEDERALLY ADMINISTERED PROGRAMS

	1990 Appropriation	1990 1/ Estimate	Difference App/Estimate	1991 Estimate	Difference 1990/1991
a. Native Americans	$58,996,000	$58,193,000	-$803,000	$57,579,000	-$614,000
b. Migrant and seasonal farmworkers	70,000,000	69,047,000	-953,000	55,834,000	-13,213,000
c. Job Corps	813,689,000	802,614,000	-11,075,000	818,021,000	+15,407,000
d. Veterans' employment	9,474,000	9,345,000	-129,000	8,863,000	-482,000
e. National activities	82,692,000	81,567,000	-1,125,000	67,982,000	-13,585,000
Training and technical assistance	(5,692,000)	(5,615,000)	(-77,000)	(5,390,000)	(-225,000)
Labor market information	(4,434,000)	(4,374,000)	(-60,000)	(4,199,000)	(-175,000)
Research and evaluation	(15,929,000)	(15,712,000)	(-217,000)	(13,246,000)	(-2,466,000)
National Commission for Employment Policy	(2,000,000)	(1,973,000)	(-27,000)	(1,894,000)	(-79,000)
National Occupational Information Coordinating Committee	(4,100,000)	(4,044,000)	(-56,000)	(2,500,000)	(-1,544,000)
Pilots and demonstrations	(30,887,000)	(30,467,000)	(-420,000)	(27,753,000)	(-2,714,000)
Rural concentrated employment program	(5,150,000)	(5,080,000)	(-70,000)	(--)	(-5,080,000)
Homeless job training	(11,500,000)	(11,343,000)	(-157,000)	(13,000,000) 2/	(+1,657,000)
American Samoans	(3,000,000)	(2,959,000)	(-41,000)	(--)	(-2,959,000)
Total Budget Authority	1,034,851,000	1,020,766,000	-14,085,000	1,008,279,000	-12,487,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177......... $14,085,000

2/ Includes $1,500,000 for title VII, subtitle C of the Stewart B. McKinney Homeless Assistance Act that was included in the 1990 appropriation (P.L. 101-166) for use in 1991.

Introduction

Most of the programs and activities for which funds are requested in this activity are authorized by Title IV of JTPA. These include: programs for Native Americans, programs for migrant and seasonal farmworkers, the Job Corps, and Veterans' employment programs. Also included are national activities such as training and technical assistance, research and evaluation, labor market information, the National Occupational Information Coordinating Committee (NOICC), the National Commission for Employment Policy (NCEP), pilots and demonstration activities, and training for the homeless as authorized by the Stewart B. McKinney Homeless Assistance Act. Other programs previously funded for which no funds are requested in 1991 are for the Rural Concentrated Employment Program, and the American Samoan program.

Given the diverse nature of these programs and activities, they are discussed separately below.

Native Americans

This program is designed to improve the economic well-being of Native Americans (Indians, Eskimos, Aleuts, and Native Hawaiians) through the provision of training, work experience, and other employment-related services and opportunities that are intended to lead the participants to permanent, unsubsidized jobs. The Department of Labor issues formula grants to Indian tribes and other Native American groups whose eligibility for such grants is established in accordance with the Department's regulations.

Approximately 190 formula grants will be issued each year to Indian tribes and reservations, Native Alaskan groups, Native Hawaiian groups, and nonprofit Indian groups located mainly in urban areas. Section 401 (j) of JTPA specifies that an amount equal to 3.3 percent of the amount available for the Block Grant program be reserved for these programs.

Migrant and Seasonal Farmworkers

This program is designed to serve members of economically disadvantaged families whose principal livelihood is gained in migratory and other forms of seasonal farmwork. The goal of the program is to alleviate the chronic unemployment and underemployment being experienced by farmworker families. Through training and other employability development services, the program prepares considerable numbers of farmworkers for stable, year-round employment, both in and outside the agricultural industry.

The program also provides health care, day care and other supportive services for farmworkers who choose to stay in agriculture. At least 94 percent of each year's appropriation is issued for competitively awarded grants to qualifying public agencies and nonprofit groups. Funds are allocated to States according to a population-based formula. The remainder of each year's appropriation is set aside for technical assistance and other special projects to benefit seasonal farmworkers. Section 402 (f) of JTPA specifies that 3.2 percent of the amount available for the Block Grant program be reserved for these programs.

Job Corps

Job Corps is designed to assist young people who need and can benefit from the wide range of services provided in the residential setting of a center. These services include basic education, vocational training, work experience, social and interpersonal skills development, counseling, health care and related supportive services. Job placement assistance is also provided upon termination from the program. Enrollees are economically disadvantaged, unemployed and out-of-school youth, ages 16-21, who have volunteered for the program. These young people are typically from such debilitating environments that they must be relocated to residential centers in order to benefit from the highly structured and carefully integrated array of services provided by the Job Corps program. However, opportunities are available for non-residential participation where appropriate. The JTPA legislative proposals currently under review, would allow an increase in the number of nonresidential slots above the current 10 percent ceiling.

Veterans' Employment

Section 441 of JTPA requires the Secretary to conduct, directly or through grants or contractual agreements, special programs designed to meet unique employment and training needs of disabled, Vietnam-era and recently separated veterans. The Act specifies the funding level for programs under this part relative to other Federally administered programs' funding levels, and also specifies that the programs be administered through the Assistant Secretary for Veterans' Employment and Training (ASVET). In implementing this section of JTPA, regulations require that no less than 80 percent of each year's appropriation be awarded for project grants to State agencies designated by Governors and/or public agencies which administer other JTPA programs. The remainder of each year's appropriation is utilized for funding research and development activities, demonstration projects, technical assistance and training, and support for other veterans' employment and training efforts as deemed appropriate.

National Activities

Funds requested for these activities will be used to support homeless assistance programs and other programs most appropriately administered at the national level. These programs include: training and technical assistance, including Presidential awards; research and evaluation; pilots and demonstrations, including multi-state programs; and labor market information programs. Funds are also used to support the activities of the National Commission for Employment Policy (NCEP) and the National Occupational Information Coordinating Committee (NOICC).

1991 Budget Request

Native Americans

The policy for this program is to request resources at the level specified in the authorizing statute. Thus, the 1991 request for the Indian and Native American Program is $57,579,000, a decrease of $614,000 below the amount available in 1990. This request will maintain an estimated average enrollment of 8,300 at a service year cost of $6,924. Continued emphasis on linkage and coordination with other human service agencies will further enhance the effectiveness of the program.

Migrant and Seasonal Farmworkers

Resources for this program are requested at the level specified in the authorizing statute, or $55,834,000. This level will support an average enrollment of 10,800 at a service year cost of $4,964. This represents a decrease of $13,213,000 below the amount available in 1990. Additional funds have been provided by Congress for 1989 and 1990, beyond those statutorily required by JTPA, to meet an expected increase in demand for services by eligible workers including Special Agricultural Workers under the Immigration Reform and Control Act of 1986. The Department is unaware of any long term significant increase in caseload that would support the 1989 and 1990 enacted levels.

Job Corps

The total being requested for 1991 is $818,021,000. Of this amount, $781,281,000 is for operating expenses and the remaining $36,740,000 is for the construction and rehabilitation of facilities.

The 1991 request provides $770.4 million for maintaining existing Job Corps centers at the current base level of 40,544 full-time training positions. There are now 105 regular Job Corps centers plus two nonresidential centers that are being operated on a pilot basis in New Orleans and Philadelphia. If the evaluation of the pilot centers is favorable, the two centers will be incorporated into the base level program in 1991 through offsetting budget and slot reductions at other Job Corps centers. If the evaluation is not favorable, these two centers will be closed at the end of program year 1990.

In addition to base level operations, the 1991 request provides approximately $10.8 million for the operation of two of the six new Job Corps centers mandated in earlier appropriations. The two new centers, located in Alabama and Kansas, will bring the Job Corps enrollment capacity to a new level of 41,113 slots. Two more of the additional centers will be made operational in Program Year 1992 and the final two will be activated in Program Year 1993.

The 1991 request includes a continuation of the $1.5 million appropriated in 1990 for child care services along with a new program enhancement of $3.3 million to extend student drug testing and treatment activities from 20 pilot sites to all 109 Job Corps centers. The cost of these enhancements will be offset by anticipated savings from Job Corps linkages with other JTPA activities ($4.6 million) and from the conversion of about 800 residential slots to nonresidential status ($1.6 million).

The $36.7 million requested for construction and rehabilitation of facilities will allow for the correction of all safety and health deficiencies and substandard conditions as well as satisfy the most pressing repair and replacement requirements at existing facilities. Included in the $36.7 million total is an enhancement of $1.0 million to correct environmental problems, such as asbestos abatement, PCB removal, and the removal of underground storage tanks at Job Corps facilities to comply with EPA standards.

In summary, the distribution of the $818.0 million being requested for 1991 is as follows:

Operation of existing centers, basic level	$771,858,000
Child care services	1,500,000
Drug abuse prevention enhancement	3,300,000
JTPA linkage economies	-4,614,000
Nonresidential slot conversions	-1,600,000
Operation of new centers	10,837,000
Operations Total	$781,281,000
Construction/rehab at existing centers	36,740,000
- Grand Total	$818,021,000

At the level of operation indicated above, approximately 68,300 new young people will enter the Job Corps in 1991, replacing a roughly equal number who will either graduate or be terminated from enrollment. The typical student will stay in the program for a little more than seven months. Approximately 53,200 (or 78 percent) of those who leave the program in 1991 will obtain jobs, join the military or pursue further education within six months after their departure.

The unit cost for 1991 is $19,003 per corpsmember service year, exclusive of facilities costs.

Veterans' Employment

Resources for this program are requested at the level specified in the authorizing statue, or $8,863,000. This reflects the statutory requirement to fund this program at five percent of the amount for Title IV (other than Part B of such title). Efforts will be focused on assisting the long-term unemployed among the Veteran target groups. Emphasis will be placed on targeting services to sub-groups of the eligible veteran population which are determined to be the "hardest to place and serve" such as special disabled veterans, Vietnam Theater veterans afflicted with post traumatic stress, and minority veterans. Additionally, special efforts will be made to increase employment and training services as necessary for veterans who may be separated from the armed services. Approximately 7,100 veterans will be served and 4,267 will be placed in employment at a cost per placement of $2,077 and a placement rate of 60 percent.

National Activities

Training and Technical Assistance

The request of $5,390,000 will permit the continuation of activities which focus on improved services to youth, inter-agency coordination, and other linkage activities. These resources are also used for Presidential awards and in support of agency efforts to become a more active partner with the States and other JTPA program operators in developing policy guidance and providing or arranging for technical assistance and training where needed.

Labor Market Information

The request for labor market information activities for 1991 is $4,199,000. This activity is funded through a cost reimbursable grant, with each State to develop local planning information for over 635 service delivery areas in the nation and to disseminate it for State and local use. The request will permit the continuation of adequate labor market information activities.

Research and Evaluation

In 1991, the research and evaluation budget request is $13,246,000, a decrease of $2,466,000 from 1990. This funding level will support research and evaluation activities such as continuation of the Job Training Quarterly Survey, Apprenticeship studies, efforts to estimate the effectiveness of alternate delivery systems, and refinements in performance standards. Research will include Departmental priorities such as at-risk youth, workplace literacy, worker adjustment, school-to-work transition, options for increasing employer investments in training, and other major issues of national concern covered under JTPA. The labor shortages activities begun in 1990 will continue. Although resources for research activities are reduced in this account, an increase is proposed for research to carry out secretarial objectives in the Departmental Management account.

National Commission for Employment Policy

The 1991 request of $1,894,000 will permit the continuation of ongoing work on the role and effects of performance standards in employment and training and other human resource programs, as mandated by Sections 106 (f) and 473 of JTPA and to continue work on assessing the extent to which federal education, employment and training programs and policies are meeting the needs of both employers and an increasingly diverse workforce.

Work will target especially persons needing intensive employment and training services, including disadvantaged youth, welfare recipients, homeless, immigrants, and Native Americans. Research also will include examination of how the health and dependent care needs of both employed and unemployed persons affect employment stability. In addition to these specific topics the Commission's responsibilities include studying and making recommendations for improved coordination of employment, training, and education programs. Specific research projects arise from Congressional and administrative requests (such as assessing the extent to which there are alternatives to the use of layoffs as mandated under the Omnibus Trade and Competitiveness Act) or on the initiative of the Commissioners.

National Occupational Information Coordinating Committee

In 1991, the $2,500,000 level for the National Occupational Information Coordinating Committee (NOICC), along with funds available from the Department of Education, will continue basic support of the development and implementation of State and local occupational information systems by obligating at least 75 percent of the NOICC funds to States through Basic Assistance Grants and through technical assistance efforts. Because of budgetary constraints, all NOICC funded programs including State Basic Assistance Grants will be reduced. Several national developmental activities and State implementation efforts to enhance automated systems, improve the quality and use of information, and implement career development guidelines will be discontinued or curtailed.

Pilots and Demonstrations

The 1991 budget request is $27,753,000, a reduction of $2,714,000 from 1990. Available resources will provide for continuation of programs serving specialized needs of particular client groups such as offenders, handicapped individuals, women, immigrants, individuals of limited English language proficiency, displaced homemakers, older workers, at-risk youth and other individuals requiring special assistance. Continuing activities also will include programs addressing industry-wide skill shortages and partnership programs with national organizations with special expertise in developing and administering employment and training programs at the national, State, and local levels. These include public interest groups, labor associations with information networks, and other organizations with special capabilities in education and training. Any new pilot and demonstration projects will address issues concerned with school to work transition, child care, disadvantaged teenagers, workplace literacy, worker adjustment and the unemployment insurance program. The YOU demonstration begun in earlier years with Pilot and Demonstration funding will continue with new awards for additional sites financed with the $50 million to be requested upon the enactment of the Administration's proposed JTPA Amendments. These amendments include authorization of $50 million for a new Youth Opportunities Unlimited program under Title IV of the Act.

Rural Concentrated Employment Programs

No funds are being requested for this program for 1991. Funding would allow four of the approximately 635 service delivery areas to receive funding beyond that provided by statutory formulas by the Governors under JTPA Title IIA and IIB to other SDAs with similar circumstances. This creates an inequity in the distribution of funds by providing additional special assistance to these areas.

Homeless Job Training

The 1991 funding level for the Homeless Assistance Program is $13,000,000, with $10,800,000 allocated for administration by the Employment and Training Administration and $2,200,000 by the Assistant Secretary for Veterans' Employment and Training (ASVET). The $13,000,000 includes $1,500,000 that was included in the 1990 appropriation for use in 1991 and $11,500,000 included in this request for which additional authorizing legislation to extend the program for an additional year is being proposed. These resources will be used to support demonstrations and evaluation activities under the Job Training for the Homeless Demonstration Program and the Homeless Veterans Reintegration projects. For the most part, ETA activity will include extending the operation of exemplary demonstration projects begun in previous years.

ASVET will assist homeless veterans to gain access to the wide array of services available to them, and help those who are, or can become job ready obtain employment. Prior year grantees will be extended if performing successfully, so that knowledge gained from the projects to date can be further distilled and disseminated. By this fourth year of operations, projects will employ techniques that enhance longer term job retention, based on experience thus far with this target group. Grantee efforts to provide for housing needs through available resources remain a key factor in meeting the needs of job ready veterans. Projects in rural areas will be continued, and the results of this experimental effort will be evaluated. An estimated 4,557 veterans will be served, with 2,111 placed in jobs at a cost of $1,042 per placement.

American Samoans

Specific funding is not requested for this program for 1991. American Samoans, like other disadvantaged segments of the population in need of assistance, should be served locally under JTPA in accordance with their incidence in the eligible population.

1990 Program Year

Native Americans

The 1990 funding level for Native American programs is $58,193,000. This request will maintain an estimated average enrollment of 8,400 at a service year cost of $6,924. Emphasis on linkage and coordination with other human service agencies is expected to further enhance the effectiveness of the program.

Migrant and Seasonal Farmworkers

Additional funds were provided by Congress for 1989 and 1990, beyond those statutorily required by JTPA, to meet an expected increase in demand for services including that demand resulting from increased numbers or by Special Agricultural Workers under the Immigration Reform and Control Act of 1986. Thus, the 1990 funding level is $69,047,000. This funding level is expected to maintain an estimated average enrollment of 13,400 at a service year cost of $4,964. The Department is unaware of any long term significant increase in caseload that would support the 1990 enacted level.

Job Corps

The 1990 funding level for Job Corps is $802,614,000. As a result of the $10.4 million sequestration that was applied to the Job Corps operating account during the budget reconciliation process and the Congressional directive on maintaining nonresidential pilot centers, it will not be possible to maintain enrollments at the established base level of 40,544 slots in program year 1990. Instead, the slot level will average about 39,660 students in 1990, or 884 below the recent levels.

The 1990 slot reduction is a temporary measure that will not affect the long-term enrollment capacity. The temporary slot reductions will be made at selected Job Corps centers during program year 1990. Owing to economies of scale, a selective approach yields greater savings per slot cut than an across-the-board reduction at all Job Corps centers. Focussing the slot reductions on a small number of selected centers will result in a temporary capacity reduction totaling about 900 slots, while the across-the-board approach would affect 1,370 slots.

This temporary reduction in slots will not result in any center closings, or any center being reduced by more than 35-40 percent. It is expected that the affected centers will be restored to their original normal operating levels in PY 1991.

In selecting the centers where the cuts will be implemented, the Department will first identify situations where temporary slot reductions would be appropriate in light of facility related issues. One example would be the closure of a dormitory that is scheduled for major renovations.

If facility related enrollment reductions are not sufficient to achieve the total cost savings needed, the Department will then apply additional selection criteria to identify further opportunities for temporary enrollment reductions. These criteria will focus on: centers that are experiencing relatively high vacancy and student turnover rates, centers that are not achieving the established standards for performance, and centers where relatively high cost savings can be expected.

In Program Year 1990, continued funding will be provided for the 105 existing regular centers plus the nonresidential pilot centers in New Orleans and Philadelphia. Congress expressed the intent that the two nonresidential centers should be maintained over and above the normal capacity of 40,544 training slots at the 105 regular centers. It is necessary to finance these centers in Program Year 1990 through temporary enrollment and spending reductions at other centers. Program Year 1990 is the final year of the pilot program. If the two nonresidential centers receive a favorable evaluation, they will be incorporated into the base level program through permanent, offsetting budget and slot reductions at other centers.

In Program Year 1990, resources are also being allocated to the following special Job Corps initiatives:

-- Increasing the availability of child care services to students who have family responsibilities. This will include the development of a residential child care component at the Denison, Iowa center.

-- Student training and work projects that will help support the 1990 International Goodwill Games in Seattle.

-- Relocating two or three centers from their current facilities.

The criteria that will be used in selecting centers for relocation to new facilities in priority order are as follows:

Priority 1: Unsafe or hazardous environments which cannot be remedied economically.

Criteria: Unsound structures. Asbestos or other hazardous substances.

Priority 2: Inability to renew expiring lease.

Criteria: Firm refusal from landlord to extend lease beyond current expiration date. Inappropriate to use federal leasehold condemnation proceedings.

Priority 3: Inadequate learning environments.

Criteria: Inflexible space configurations. Inadequate space with no potential for expansion. Detrimental neighborhood environment. Relocation cost. Interim repair costs/alternative renovation costs. Competing community demands. Facilities in multiple locations.

At the level of operation indicated above, Job Corps will achieve 39,660 student service years in Program Year 1990. Approximately 65,800 new young people will enter the Job Corps in 1990, and an equal number will either graduate or be terminated from enrollment. Approximately 51,400 (or 78 percent) of those who leave the program in 1990 will obtain jobs, join the military or pursue further education within six months after their departure.

The unit cost for 1990 is $18,643 per corpsmember service year exclusive of facilities costs.

Veterans' Employment

The 1990 funding level for the Veterans' Employment Program is $9,345,000. For the second consecutive program year, an emphasis is being made to target services to those veterans having the greatest employment and training needs; i.e., special disabled, Vietnam Theatre and minority veterans. Based on goals provided in grant applications during the first half of PY 1989, it is anticipated that the number of veterans to be served, as a result of this new emphasis, will decline to approximately one-third of the number participating in program years 1987 and 1988. Additionally, the program is continuing to encourage projects which strengthen the linkages among existing providers which serve veterans such as the Department of Veterans' Affairs, the State Employment Service Agencies, and JTPA service delivery areas. Competitive procedures on the State level are continuing to be encouraged for the selection of program operators in order to ensure that the most cost-effective projects are funded. Approximately 7,500 veterans will be served of whom 4,500 will be placed in employment at an average cost per placement of $2,077 and a placement rate of 60 percent.

National Activities

Training and Technical Assistance

The 1990 funding level for the Training and Technical Assistance Program (TAT) is $5,615,000. TAT efforts will seek to emphasize and support literacy training for youth and adults and to provide assistance in the transition to the new Title III Dislocated Worker Assistance Program authorized by the Economic Dislocation and Worker Adjustment Assistance Act of 1988. Other activities will involve a continuation of the partnership arrangement with national level organizations with an interest in improving the overall operation of JTPA programs. These funds are also used for Presidential awards for outstanding private sector involvement in job training programs.

Labor Market Information

The 1990 funding level is $4,374,000. These funds will be allocated through cost reimbursable grants to States. This level will support the development and dissemination of basic labor market information and technical assistance to State and local planners. The request is considered adequate for this activity given the availability of other resources available to training and employment providers.

Research and Evaluation

The 1990 budget request is $15,712,000. Resources will provide for research efforts directed to problems concerned with youth, workplace literacy, worker adjustment, workplace training and teen parents and apprenticeship. Attention will also be directed to development of a methodology to annually identify national labor shortages, and to examine welfare to employment linkages through performance outcomes, client characteristics and services provided to JTPA programs with emphasis on coordination. Other specific efforts will include: a follow-up survey and analysis of employment patterns of workers legalized under the Immigration Reform and Control Act; development, refinement and assessment of special computer assisted training programs for target groups such as youth, limited English speaking, immigrants and Hispanics; analysis of needs for training and the development of means to overcome barriers to learning on-the-job; and best practices in a variety of areas ranging from training in basic skills to child care for single parents and working women.

National Commission for Employment Policy

In 1990, the $1,973,000 available for the National Commission for Employment Policy (NCEP) will allow the Commission to pursue its responsibility for identifying the nation's employment and training goals and assessing the extent to which existing programs meet those goals. The Commission will continue its mandated research on the role and effects of performance standards on employment and training programs, including the potential use of unemployment insurance records in evaluating the effectiveness of these programs. Work will begin on exploring ways of improving the coordination of federal employment and training programs; identification and analysis of state strategic plans for improving their employment situation; identifying how education, employment and training policies and programs can be used to combat drug dependency among economically disadvantaged youth; and assessing the extent to which federal education, employment and training programs and policies are meeting the needs of both employers and an increasingly diverse workforce. Work will target especially those groups and classes of persons needing intensive employment and training services including disadvantaged youth, welfare recipients, homeless, immigrants, and Native Americans. The Commission will continue to respond to information and research requests from the President and the Congress. NCEP will also continue its publication service, and submit its mandated annual report to the President and the Congress on major research activities and findings.

National Occupational Information Coordinating Committee

In 1990, the $4,044,000 available for the National Occupational Information Coordinating Committee (NOICC) will support the development and enhancement of State and local occupational information systems by the obligation of over 75 percent of the funds directly through Basic Assistance Grants and by providing technical assistance to States for the implementation of such systems. The remaining funds will be used for targeted State implementation efforts, research and development projects, NOICC staff salaries and expenses, and improving communication and coordination among Federal agencies that use and/or produce occupational information. NOICC will also implement several efforts in its long-range plan to complete development of the Economic Development and Employer Planning System; develop a handbook and training materials on using occupational information for JTPA and VocEd staff; develop a process to assess the use of occupational information; improve the delivery of occupational and career information to adults through several national based research and development efforts; and continue preparing training cadres to provide an increased capability in each State to conduct training and technical assistance in the development, delivery, and use of career and occupational information.

Pilots and Demonstrations

In 1990, the budget request is $30,467,0000. This funding level will provide for continued support for handicapped and other targeted population group projects, partnership projects, training and demonstration programs, the federal bonding program, and projects directed specifically to achieving DOL's Workforce 2000 objectives. Activities will include welfare employment demonstration projects to be conducted in cooperation with the Department of Health and Human Services. Another major effort will be the continuation of the Youth Opportunities Unlimited (YOU) demonstration program. The purpose of YOU is to marshall coordinated public and private support to improve lives of youth growing up in high poverty areas. Additional projects include demonstrations of school-to-work models and child care demonstration efforts.

Rural Concentrated Employment Programs

The Rural Concentrated Employment programs funding level in 1990 of $5,080,000 will be utilized to supplement the funding allocations which specific service delivery areas receive from the Governors under JTPA Titles IIA and IIB.

Homeless Job Training

The 1990 funding level for the homeless assistance program is $11,343,000. The Employment and Training Administration administers $9,423,000 of this total for competitively awarded job training demonstration projects helping an estimated 8,500 homeless individuals and national evaluation activities. Emphasis will be placed in 1990 on developing knowledge about program operations in an effort to implement effective approaches for programs in the future serving this population.

Of the total resources provided from homeless assistance, $1,920,000 is earmarked for homeless veterans reintegration projects and will be administered through the Assistant Secretary for Veterans' Employment and Training. The program will assist homeless veterans to gain access to the wide array of services available to them, and help those who are, or can become job ready to obtain employment. A competitive process will be held to award grants to States and local governmental entities to provide employment and training services to this client group such as remedial education, classroom training, job counseling, job search assistance and placement. The support services necessary to gain and retain employment, such as housing, food, transportation, medical care and alcohol and drug treatment, are provided by the program or through linkages with other services providers. Veterans who have experienced homelessness themselves are employed in positions with direct client contact, and serve as advocates for their fellow veterans. Several pilot projects to reach homeless veterans in rural areas are expected to be underway this year also. Approximately 4,496 veterans will be served, with 1,843 job placements, at an average placement cost of $1,041.

American Samoans

The 1990 appropriation contains $2,959,000 for service delivery areas in California, Hawaii, and Washington with significant American Samoan populations. An estimated average enrollment of 600 at a service year cost of $4,550 will be maintained. In total, an estimated 1,900 Samoans will be served.

1989 Program Year

Native Americans

Funding of $58,996,000 was provided for the Native Americans program in 1989. This funding level maintained an estimated average enrollment of 8,500 at a cost of $6,924 per service year. The program focused on linkage and coordination with other human service agencies which improved the quality of services and increased private sector placements.

Migrant and Seasonal Farmworkers

Funding of $68,540,000 was provided for the Migrant and Seasonal Farmworkers program in 1989, which was above that statutorily required by JTPA. The additional funds above the statutorily required amount were distributed to program grantees so that they would be able to meet increased demands for services by Special Agricultural Workers under the Immigration Reform and Control Act of 1986. The average enrollment level was estimated to be 13,300 at a unit cost of $4,964.

Job Corps

In 1989, Job Corps operated at its established capacity of 40,544 full-time training slots at 105 residential and 2 nonresidential Job Corps centers. About

68,400 new students entered the program and 67,300 terminated the program. Approximately 78 percent of those terminating (or 52,500) were placed in jobs, joined the military, or pursued further education within six months of their departure. Excluding expenditures for capital improvements at Job Corps facilities, the unit cost in 1989 is estimated at $17,483 per corpsmember service year.

Veterans' Employment

Service providers for veterans' employment projects include State government agencies and community-based and non-profit organizations. In 1989 an appropriation of $9,517,000 served approximately 7,000 veterans; 4,200 were placed in employment at a cost per placement of $2,266 and a placement rate of 60 percent. Because a new emphasis was made to serve veterans "most in need" the cost to serve these veterans was greater than in prior years and the total number of participants served was lower.

National Activities

Training and Technical Assistance

These funds totaling $5,692,000 were used to ensure appropriate coordination of program activities through public interest groups and to fund the participation of the partners in the JTPA system. This is a continuation of an overall effort to focus activities on improving program operations and services to youth, including the provision of literacy training. TAT resources were used to improve JTPA management in general and financial/cash management in particular. Presidential awards for outstanding private sector involvement in job training programs were also financed with TAT funds.

Labor Market Information

Funding of $4,875,000 was allocated to all States for labor market information activities in Program Year 1989. Funding for labor market information activities was used to support State and local activities as well as national program areas.

Research and Evaluation

The budget for 1989 was $13,429,000. Funds were used to conduct studies in support of improving the training and employment system, with special emphasis on areas such as youth, the family, poverty, and welfare dependency, dislocated worker and lifelong learning systems and training technologies. Work also included research and evaluation projects initiated in prior years such as the impact of immigration reform, dislocated workers, apprenticeship, refinement of and technical assistance on nationwide performance standards, and support for international labor research.

National Commission for Employment Policy

In 1989 the funding level was $1,976,000. The commission completed work on an examination of why Hispanics' participation in JTPA programs is less than expected and recommendations for improving their participation in JTPA; a Congressionally mandated study to assess the extent to which the Employment Service is effective in assisting dislocated workers; an investigation of the employment and training needs of the homeless; a review of states' policies, regulations, and programs regarding the provision of child care with special emphasis on child care programs for low income families; an assessment of public and private employer retraining efforts; and an analysis of the use of employer wage records to evaluate the earning patterns of JTPA participants.

In addition, the Commission published reports on an evaluation of computer assisted instruction, a review of the labor market problems of Native Americans, and an analysis of the employment effects of privatization in the public sector. Commission publications are distributed widely throughout the Administration, to Congressional staff, employment and training practitioners, and members of the research community who are concerned with employment policy and employment and training issues.

National Occupational Information Coordinating Committee

In 1989, the funding level was $3,952,000. Major accomplishments by the National Occupational Information Coordinating Committee (NOICC) in 1989 included the award of grants and/or initiation of projects for the following purposes: Basic Assistance grants to all 50 States and six Territories; continuation in 38 States of the Improved Career Decision Making (ICDM) Inservice and Preservice Program; counselor training programs; completion of a national project to develop and publish national career development guidelines now endorsed by many guidance and career development professional organizations and the Council of Chief State and School Officers; pilot testing of a system for the Veterans Employment and Training Service and the U.S. Army to provide soldiers with State and local civilian labor market information to assist in their career planning and with transition to the civilian sector; initial development of the Economic Development and Employer Planning system designed to improve the delivery of labor market and occupational information to meet the needs of employers and economic development; and utilization of the NOICC Training Support Center to prepare specially trained cadres to provide improved training in the use of occupational and career information in the States.

Pilots and Demonstrations

In 1989, the funding level was $30,253,000. These funds were used for continuation activities which included the handicapped/disabled, partnership and training demonstration programs. In addition, work included demonstrations of new training technologies, projects relating to Workforce 2000, workplace literacy, working women and family issues, and welfare recipients. Another major effort was the award of 14 planning grants to develop planning documents for implementation of a Youth Opportunities Unlimited (YOU) demonstration project and the award of three urban and two rural demonstration projects from the 14 competing jurisditions. The purpose of YOU is to marshall public and private support to improve lives of youth growing up in high poverty areas.

Rural Concentrated Employment Programs

The Rural Concentrated Employment programs funding level in 1989 of $5,928,000 was used to continue to supplement the funding allocations specific service delivery areas receive from the Governors under JTPA Titles IIA and IIB.

Homeless Job Training

The 1989 funding level for the Homeless Assistance program was $9,386,000. Of this total, $7,509,000 was allocated to the Employment and Training Administration for demonstration and evaluation efforts for homeless individuals through new competitive grants. As of June 30, 1989, nine months after the beginning of the program, the projects had served more than 5,200 persons. About 2,000 were in or had completed training, and 1,500 had been placed in jobs.

The 1989 level of $1,877,000 for homeless veterans funded demonstration projects in 18 cities for a second year. Evaluation efforts were underway to determine the most effective approaches and techniques for reintegrating this population into the labor force. Grantees, who are units of State or local government, designed innovative programs to enhance the employability and placement prospects of these veterans. About 4,387 homeless veterans were served, with 1,808 placed in jobs at a cost of $1,038 per placement.

American Samoans

The 1989 appropriation contained $2,470,000 for service delivery areas with significant American Samoan populations. An estimated average enrollment of 500, at a service year cost of $4,550 was maintained. In total, an estimated 1,600 Samoans were served.

Changes for 1991

Activity Changes :

Built-in:	
To provide for net increased costs of the Job Corps	+$21,280,000
Net Program	-33,767,000

New Job Corps Centers

Proposal: To provide for an increase in Job Corps operating costs due to the opening of two new centers.

Rationale: The schedule for the acquisition and renovation of facilities for six new Job Corps centers call for the activation of two new centers in PY 1991.

Program Effects: The two new centers will bring the Job Corps enrollment capacity to a new level of 41,113.

Base: Estimate: $823,894,000

Program Increase: Estimate: +$10,837,000

Job Corps Substance Abuse

Proposal: To provide for an expansion in drug abuse education and prevention activities, which includes drug testing.

Rationale: The preliminary results of a pilot drug testing and counseling program indicate that substance abuse is at a high level among incoming enrollees and that testing has a positive impact on Job Corps center operations and enrollee outcome.

Program Effect: Expanded drug testing and drug abuse counseling at all Job Corps centers.

Base: Estimate: $823,894,000

Program Increase: Estimate: +$3,300,000

Compliance with EPA Standards at Job Corps Facilities

Proposal: To correct environmental problems including asbestos abatement, PCB removal, and removal of underground storage tanks at Job Corps facilities.

Rationale: To ensure compliance with EPA standards.

Program Effect: Implementation of the first year of a five-year plan to correct environmental problems at Job Corps facilities.

Base: Estimate: $823,894,000

Program Increase: Estimate: +$1,000,000

Homeless Job Training

Proposal: To provide for the full amount authorized under the Stewart B. McKinney Homeless Assistance Act. (Note: $1.5 million of this increase was provided in the 1990 DOL appropriation Act)

Rationale: To extend for an additional year homeless demonstration projects.

Program Effects: Extends exemplary demonstrations projects for one more year.

Base: Estimate: $11,343,000

Program Increase: Estimate: +$1,657,000

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Research and Evaluation

Proposal: To provide for a reduction to return funding to approximately the 1989 level.

Rationale: The requested level is considered adequate for this activity given budget constraints.

Program Effects: The proposed level will permit the continuation of an effective program of research and evaluation. Fewer new projects will be pursued in this account and spending on some continuing efforts may be reduced.

Base:	Estimate: $15,712,000
Program Decrease:	Estimate: -$2,466,000

Native Americans

Proposal: To finance programs for Native Americans at the level required by JTPA.

Rationale: Section 401(j) of JTPA requires that the program receive an amount equal to 3.3 percent of the amount made available for the State block grant program.

Program Effects: The requested level is the statutorily determined level for 1991. Approximately 8,300 persons will be enrolled in PY 1991 or 100 fewer than in PY 1990.

Base:	Estimate: $58,193,000
Program Decrease:	Estimate: -$614,000

Migrant and Seasonal Farmworkers Program

Proposal: To finance migrant programs at the level required by JTPA.

Rationale: Section 402 (f) of JTPA requires that the Migrant program receive an amount equal to 3.2 percent of the amount made available for the State Block Grant program.

Program Effects: The request level is the statutorily determined level for 1991. Approximately 10,800 persons will be enrolled in PY 1991 or 2,600 less than in PY 1990 when additional funds above the statutorily determined level were made available.

Base:	Estimate: $69,047,000
Program Decrease:	Estimate: -$13,213,000

Job Corps Slot Conversion

Proposal: To increase the number of non-residential slots above the current legislative ceiling of 10 percent of the total.

Rationale: This legislative change would permit increasing numbers of non-residential slots, thereby reducing costs and encourage a higher level of enrollment by young women, especially those with child care responsibilities.

Program Effect: A total of 800 training slots would be converted from residential to non-residential status resulting in an $1.6 million annual savings which is contingent on the passage of proposed JTPA amendments.

Base:	Estimate: $823,894,000
Program Decrease:	Estimate: -$1,600,000

Job Corps Linkages

Proposal: To reflect anticipated savings from Job Corps linkages with other JTPA activities.

Rationale: To coordinate Job Corps with other youth job training education and human resource programs in order to better integrate services and reduce costs.

Program Effect: Reduction in overall Job Corps operating costs.

Base:	Estimate: $823,894,000
Program Decrease:	Estimate: -$4,614,000

Job Corps Relocations

Proposal: To reduce amounts used for Job Corps relocation costs.

Rationale: The requested level is considered adequate.

Program Effect: The request assumes that those centers which must be moved because of unsafe or hazardous conditions, or because of expired leases which cannot be extended will be relocated using 1990 funds. Sufficient funds are requested for construction and rehabilitation of facilities to provide for the correction of all safety and health deficiencies and substandard conditions at Job Corps centers.

Base:	Estimate: $823,894,000
Program Decrease:	Estimate: -$14,796,000

Veterans' Employment

Proposal: To finance programs serving veterans at the JTPA statutorily required level.

Rationale: The request reflects the statutory requirement to fund this program at five percent of the amount for Title IV (other than part B of such title).

Program Effects: Approximately 7,100 veterans will be served and approximately 4,267 will be placed in employment.

Base:	Estimate: $9,345,000
Program Decrease:	Estimate: -$482,000

Training and Technical Assistance

Proposal: To provide for a reduction due to budgetary constraints.

Rationale: The request is considered adequate for this activity.

Program Effects: The proposed level will be sufficient to provide an effective training and technical assistance program.

Base:	Estimate: $5,615,000
Program Decrease:	Estimate: -$225,000

Labor Market Information

Proposal: To provide for a reduction due to budgetary constraints.

Rationale: The request level is considered adequate for this activity.

Program Effects: The request will maintain the development and dissemination of basic labor market information and technical assistance to State and local planners.

Base:	Estimate: $4,374,000
Program Decrease:	Estimate: -$175,000

National Commission for Employment Policy

Proposal: To provide for a reduction due to budgetary constraints.

Rationale: The request level is considered adequate for this activity.

Program Effects: The request will allow the continuation of ongoing program work.

Base: Estimate: $1,971,000

Program Decrease: Estimate: -$79,000

National Occupational Information Coordinating Committee

Proposal: To provide for a reduction due to budgetary constraints.

Rationale: The proposed level will continue basic support of the development and implementation of State and local occupational information systems.

Program Effects: All NOICC funded programs, including Basic Assistance Grants, will be reduced.

Base: Estimate: $4,044,000

Program Decrease: Estimate: -$1,544,000

Pilots and Demonstrations

Proposal: To provide for a reduction due to budgetary constraints.

Rationale: The proposed level is sufficient to maintain an adequate program given overall requirements to reduce Federal spending. Also, the proposed YOU program will assume responsibility for funding YOU demonstrations previously under this program.

Program Effects: The decrease will permit funding of some new initiatives and continuation of multi-year programs.

Base: Estimate: $30,467,000

Program Decrease: Estimate: -$2,714,000

Rural Concentrated Employment Program

Proposal: To discontinue special funding above the normal formula allocation for the four Rural Concentrated Employment Program JTPA service delivery areas.

Rationale: Of the 635 service delivery areas, only these four receive funding beyond that provided by statutory formulas by the Governors under JTPA Titles IIA and IIB. This creates an inequity in the distribution of funds by providing additional special assistance to these areas, not afforded other areas with similar circumstances.

Program Effects: Enrollment levels would be reduced commensurate with the reduction in funding.

Base: Estimate: $5,080,000

Program Decrease: Estimate: -$5,080,000

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American Samoans

Proposed: To discontinue special funding to selected service delivery areas to serve American Samoans.

Rationale: Supplemental funding, through separate agreements outside the block grant, to assist this one needy group is not justified. Instead, American Samoans, like other disadvantaged segments of the population in need of assistance, should be served locally in accordance with their incidence in the eligible population.

Program Effects: Enrollment levels would be reduced commensurate with the reduction in supplemental funding.

Base:	Estimate: $2,959,000
Program Decrease:	Estimate: -$2,959,000

JTPA TITLE IIA - BLOCK GRANT

STATE TABLES

State	1989 Actual	1990 Estimate	1991 Request *1
	(7/89-6/90)	(7/90-6/91)	(7/91-6/92)
Alabama	$39,537,000	$43,987,000	$44,803,000
Alaska	6,526,000	6,321,000	6,449,000
Arizona	23,590,000	27,074,000	27,569,000
Arkansas	25,219,000	27,072,000	27,581,000
California	183,035,000	187,268,000	190,595,000
Colorado	28,517,000	27,243,000	27,755,000
Connecticut	9,509,000	8,353,000	8,053,000
Delaware	4,458,000	4,350,000	4,350,000
District of Columbia	5,427,000	4,767,000	4,520,000
Florida	63,868,000	75,802,000	77,157,000
Georgia	40,988,000	41,949,000	42,680,000
Hawaii	4,664,000	4,350,000	4,350,000
Idaho	9,406,000	8,262,000	7,436,000
Illinois	99,565,000	90,074,000	91,733,000
Indiana	32,899,000	28,898,000	26,008,000
Iowa	17,210,000	15,117,000	13,605,000
Kansas	9,332,000	8,286,000	8,416,000
Kentucky	41,852,000	38,464,000	39,174,000
Louisiana	63,942,000	68,292,000	69,680,000
Maine	5,969,000	5,390,000	5,472,000
Maryland	19,310,000	19,495,000	19,824,000
Massachusetts	20,251,000	18,043,000	18,301,000
Michigan	95,194,000	89,428,000	91,134,000
Minnesota	20,349,000	18,508,000	18,817,000
Mississippi	32,550,000	36,308,000	37,006,000
Missouri	34,490,000	35,827,000	36,467,000
Montana	7,918,000	7,231,000	7,360,000
Nebraska	6,332,000	5,562,000	5,006,000
Nevada	6,581,000	5,781,000	5,203,000
New Hampshire	4,458,000	4,350,000	4,350,000
New Jersey	29,203,000	28,794,000	29,257,000
New Mexico	17,127,000	15,665,000	15,952,000
New York	94,545,000	105,722,000	107,482,000
North Carolina	27,612,000	24,254,000	21,828,000
North Dakota	4,458,000	4,350,000	4,350,000

JTPA TITLE IIA - BLOCK GRANT

STATE TABLES

State	1989 Actual (7/89-6/90)	1990 Estimate (7/90-6/91)	1991 Request *1 (7/91-6/92)
Ohio	80,401,000	70,622,000	69,376,000
Oklahoma	25,756,000	24,490,000	24,934,000
Oregon	19,936,000	19,036,000	19,374,000
Pennsylvania	71,501,000	62,804,000	56,524,000
Puerto Rico	77,555,000	78,793,000	80,253,000
Rhode Island	4,458,000	4,350,000	4,350,000
South Carolina	20,390,000	17,910,000	16,119,000
South Dakota	4,458,000	4,350,000	4,350,000
Tennessee	36,342,000	37,726,000	38,390,000
Texas	170,320,000	153,038,000	155,930,000
Utah	9,581,000	8,416,000	7,574,000
Vermont	4,458,000	4,350,000	4,350,000
Virginia	25,457,000	26,797,000	27,246,000
Washington	39,265,000	34,490,000	31,451,000
West Virginia	23,556,000	22,332,000	22,767,000
Wisconsin	29,249,000	25,691,000	23,122,000
Wyoming	4,458,000	4,350,000	4,350,000
American Samoa	196,000	172,000	151,000
Guam	1,182,000	1,161,000	1,166,000
Marshall Islands	488,000	493,000	495,000
Micronesia	1,148,000	1,160,000	1,166,000
Northern Marianas	125,000	125,000	125,000
Palau	125,000	125,000	125,000
Virgin Islands	1,476,000	1,390,000	1,397,000
NATIONAL TOTAL	1,787,772,000	1,744,808,000	1,744,808,000

*1 - These preliminary amounts are based on currently available labor market information.

JTPA TITLE IIB - SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

STATE TABLES

State	1989 Estimate	1990 Estimate *1	1991 Request *1
	(Summer 90)	(Summer 91)	(Summer 92)
Alabama	$17,272,000	$17,451,000	$17,673,000
Alaska	2,468,000	2,505,000	2,550,000
Arizona	10,628,000	10,735,000	10,875,000
Arkansas	10,623,000	10,739,000	10,882,000
California	73,675,000	74,298,000	75,120,000
Colorado	10,667,000	10,795,000	10,960,000
Connecticut	5,318,000	4,721,000	4,249,000
Delaware	1,738,000	1,715,000	1,715,000
District of Columbia	4,407,000	3,912,000	3,521,000
Florida	29,812,000	30,072,000	30,414,000
Georgia	16,533,000	16,652,000	16,810,000
Hawaii	1,738,000	1,715,000	1,715,000
Idaho	3,221,000	2,859,000	2,573,000
Illinois	35,333,000	35,709,000	36,198,000
Indiana	12,117,000	10,756,000	9,681,000
Iowa	5,787,000	5,138,000	4,624,000
Kansas	3,293,000	3,297,000	3,304,000
Kentucky	15,106,000	15,259,000	15,451,000
Louisiana	26,694,000	27,085,000	27,536,000
Maine	2,144,000	2,145,000	2,147,000
Maryland	7,702,000	7,744,000	7,800,000
Massachusetts	11,065,000	9,823,000	8,841,000
Michigan	35,016,000	35,447,000	35,988,000
Minnesota	7,319,000	7,353,000	7,401,000
Mississippi	14,243,000	14,408,000	14,603,000
Missouri	14,089,000	14,213,000	14,375,000
Montana	2,843,000	2,868,000	2,901,000
Nebraska	2,164,000	1,921,000	1,729,000
Nevada	2,253,000	2,000,000	1,821,000
New Hampshire	1,738,000	1,715,000	1,715,000
New Jersey	14,362,000	12,750,000	11,475,000
New Mexico	6,155,000	6,215,000	6,291,000
New York	41,809,000	42,004,000	42,275,000
North Carolina	9,695,000	8,607,000	8,460,000
North Dakota	1,738,000	1,715,000	1,715,000

JTPA TITLE IIB - SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

STATE TABLES

State	1989 Estimate (Summer 90)	1990 Estimate *1 (Summer 91)	1991 Request *1 (Summer 92)
Ohio	27,529,000	27,040,000	27,347,000
Oklahoma	9,621,000	9,713,000	9,833,000
Oregon	7,490,000	7,553,000	7,636,000
Pennsylvania	23,868,000	21,653,000	21,760,000
Puerto Rico	31,054,000	31,319,000	31,611,000
Rhode Island	1,939,000	1,721,000	1,715,000
South Carolina	6,994,000	6,208,000	6,022,000
South Dakota	1,738,000	1,715,000	1,715,000
Tennessee	14,853,000	14,971,000	15,126,000
Texas	59,944,000	60,659,000	61,566,000
Utah	3,283,000	2,915,000	2,623,000
Vermont	1,738,000	1,715,000	1,715,000
Virginia	10,591,000	10,645,000	10,719,000
Washington	13,437,000	12,251,000	12,404,000
West Virginia	8,750,000	8,859,000	8,988,000
Wisconsin	10,018,000	8,894,000	8,004,000
Wyoming	1,738,000	1,715,000	1,715,000
American Samoa	54,000	53,000	53,000
Guam	657,000	648,000	648,000
Marshall Islands	19,000	19,000	19,000
Micronesia	46,000	45,000	45,000
Northern Marianas	25,000	25,000	25,000
Palau	8,000	7,000	7,000
Virgin Islands	372,000	367,000	367,000
Native Americans	12,902,000	12,726,000	12,726,000
NATIONAL TOTAL	709,433,000	699,777,000	699,777,000

*1 - These preliminary amounts are based on currently available labor market information.

JTPA TITLE IV-A - MIGRANT AND SEASONAL FARMWORKERS

STATE TABLES

State	1989 Actual (7/89-6/90)	1990 Estimate (7/90-6/91)	1991 Request (7/91-6/92)
Alabama	$ 891,000	$ 891,000	$ 766,000
Alaska	0	0	0
Arizona	1,342,000	1,365,000	990,000
Arkansas	1,312,000	1,312,000	1,128,000
California	11,249,000	11,544,000	7,726,000
Colorado	852,000	857,000	698,000
Connecticut	214,000	214,000	179,000
Delaware	130,000	130,000	120,000
District of Columbia	0	0	0
Florida	4,348,000	4,398,000	3,382,000
Georgia	1,797,000	1,804,000	1,499,000
Hawaii	279,000	279,000	238,000
Idaho	944,000	944,000	788,000
Illinois	1,313,000	1,329,000	1,042,000
Indiana	876,000	876,000	753,000
Iowa	1,482,000	1,482,000	1,280,000
Kansas	767,000	767,000	653,000
Kentucky	1,534,000	1,534,000	1,328,000
Louisiana	897,000	897,000	773,000
Maine	370,000	370,000	319,000
Maryland	322,000	322,000	272,000
Massachusetts	338,000	338,000	278,000
Michigan	969,000	969,000	826,000
Minnesota	1,442,000	1,442,000	1,247,000
Mississippi	1,644,000	1,644,000	1,422,000
Missouri	1,238,000	1,238,000	1,069,000
Montana	757,000	757,000	655,000
Nebraska	866,000	866,000	744,000
Nevada	168,000	168,000	131,000
New Hampshire	128,000	128,000	120,000
New Jersey	328,000	335,000	253,000
New Mexico	578,000	578,000	459,000
New York	1,723,000	1,743,000	1,359,000
North Carolina	3,293,000	3,299,000	2,795,000
North Dakota	532,000	532,000	460,000

JTPA TITLE IV-A - MIGRANT AND SEASONAL FARMWORKERS

STATE TABLES

State	1989 Actual (7/89-6/90)	1990 Estimate (7/90-6/91)	1991 Request (7/91-6/92)
Ohio	1,019,000	1,019,000	879,000
Oklahoma	661,000	661,000	556,000
Oregon	1,052,000	1,063,000	823,000
Pennsylvania	1,344,000	1,344,000	1,147,000
Puerto Rico	3,302,000	3,302,000	2,839,000
Rhode Island	0	0	0
South Carolina	1,210,000	1,210,000	1,038,000
South Dakota	787,000	787,000	681,000
Tennessee	1,079,000	1,079,000	932,000
Texas	5,617,000	5,672,000	4,472,000
Utah	263,000	263,000	213,000
Vermont	242,000	242,000	209,000
Virginia	1,115,000	1,115,000	937,000
Washington	1,714,000	1,726,000	1,400,000
West Virginia	247,000	247,000	213,000
Wisconsin	1,386,000	1,386,000	1,196,000
Wyoming	227,000	227,000	195,000
Undistributed	2,352,000	2,352,000	2,352,000
NATIONAL TOTAL	68,540,000	69,047,000	55,834,000

JTPA TITLE IV-C - VETERANS' EMPLOYMENT PROGRAMS

STATE TABLES

State	1989 Actual (07/89-06/90)	1990 Estimate (07/90-06/91)	1991 Estimate [1] (07/91-06/92)
Alabama	$111,000	$108,000	$102,000
Alaska	55,000	55,000	55,000
Arizona	114,000	116,000	109,000
Arkansas	73,000	71,000	67,000
California	767,000	755,000	709,000
Colorado	130,000	127,000	119,000
Connecticut	92,000	90,000	84,000
Delaware	55,000	55,000	55,000
District of Columbia	55,000	55,000	55,000
Florida	382,000	381,000	358,000
Georgia	198,000	198,000	186,000
Hawaii	55,000	55,000	55,000
Idaho	55,000	55,000	55,000
Illinois	286,000	277,000	260,000
Indiana	156,000	153,000	144,000
Iowa	84,000	82,000	77,000
Kansas	76,000	75,000	70,000
Kentucky	95,000	93,000	88,000
Louisiana	118,000	108,000	102,000
Maine	55,000	55,000	55,000
Maryland	141,000	142,000	133,000
Massachusetts	172,000	168,000	158,000
Michigan	259,000	258,000	242,000
Minnesota	134,000	131,000	123,000
Mississippi	61,000	60,000	55,000
Missouri	156,000	153,000	147,000
Montana	55,000	55,000	55,000
Nebraska	55,000	55,000	55,000
Nevada	55,000	55,000	55,000
New Hampshire	55,000	55,000	55,000
New Jersey	195,000	191,000	179,000
New Mexico	55,000	55,000	55,000
New York	408,000	392,000	368,000
North Carolina	179,000	176,000	165,000
North Dakota	55,000	55,000	55,000

Ohio................	317,000	310,000	291,000
Oklahoma............	118,000	108,000	102,000
Oregon..............	99,000	101,000	95,000
Pennsylvania........	347,000	340,000	319,000
Puerto Rico.........	55,000	55,000	55,000
Rhode Island........	55,000	55,000	55,000
South Carolina......	99,000	97,000	91,000
South Dakota........	55,000	55,000	55,000
Tennessee...........	141,000	142,000	133,000
Texas...............	538,000	516,000	488,000
Utah................	55,000	55,000	55,000
Vermont.............	55,000	55,000	55,000
Virginia............	195,000	191,000	179,000
Washington..........	183,000	183,000	172,000
West Virginia.......	55,000	55,000	55,000
Wisconsin...........	145,000	138,000	130,000
Wyoming.............	55,000	55,000	55,000
Undistributed.......	1,903,000	1,869,000	1,773,000
NATIONAL TOTAL......	9,517,000	9,345,000	8,863,000

[a] These preliminary amounts are based on currently available labor market information and are subject to change.

EMPLOYMENT AND TRAINING ADMINISTRATION

WORKER READJUSTMENT

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EMPLOYMENT AND TRAINING ADMINISTRATION

WORKER READJUSTMENT

For expenses necessary to carry out title III of the Job Training Partnership Act, $400,000,000, to be available for obligation for the period July 1, 1991, through June 30, 1992.

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable	1990	1991
A. Appropriation	--	--	$400,000,000
Comparative transfer from:			
Training and Employment Services	$283,773,000	$463,603,000	--
B. Total Available Budget Authority	283,773,000	463,603,000	400,000,000
Other unobligated balances, start of year	71,043,000	54,291,000	92,721,000
Other unobligated balances, end of year	-54,291,000	-92,721,000	-80,000,000
C. Total, estimated obligations	300,525,000	425,173,000	412,721,000

SUMMARY OF CHANGES

	1990	1991	Net Change
Budget Authority:			
General Funds	$463,603,000	$400,000,000	-$63,603,000

	General Funds
Explanation of Change:	
Decrease:	
Program:	
To provide for a reduction due to the pressing need for additional resources in other program areas (1990 Base: $463,603,000)	-63,603,000
Total Decrease	-63,603,000
Total Change	-63,603,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable	1990 Appropriation	1990 Estimate 1/	1991 Estimate	Change
Budget Authority applied to General Funds:					
Economic Dislocation and Worker Adjustment Assistance	$283,773,000	$470,000,000	$463,603,000	$400,000,000	-$63,603,000
Total Budget Authority	283,773,000	470,000,000	463,603,000	400,000,000	-63,603,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177.. $6,397,000

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Grants, subsidies, and contributions	$283,773,000	$463,603,000	$400,000,000	-$63,603,000
Total, budget authority by object	283,773,000	463,603,000	400,000,000	-63,603,000
Advisory and Assistance Services included above	(--)	(--)	(--)	(--)

SIGNIFICANT ITEMS IN 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
1990 House Report (No. 101-172)	
Dislocated Workers Demonstrations	
"The Committee encourages the Secretary of Labor, in carrying out demonstration programs authorized under section 324(a), to set aside funds for the job creation demonstration program, section 324(a)(4). In implementing this program, the Secretary is encouraged to give priority for funding to nonprofit community development corporations with a record of achievement in promoting economic development and job creation projects."	The Secretary, in carrying out demonstration programs authorized under section 324(a), is planning to fund a job creation demonstration program using 1989 funds. The Department will continue this program with 1990 funds. In making these competitive awards, consideration will be given to these applicants, including non-profit community development corporations, with demonstrated records in promoting economic development and job creation projects.
1990 Senate Report (No. 101-127)	
Dislocated Worker Demonstration Programs	
"...the Committee directs that funds appropriated to section 324(a) of the act be used to implement the dislocated farmer and the job creation demonstration programs. In implementing the job creation demonstration programs, the Committee expects the Department of Labor to work in close consultation with the Office of Community Services within the Department of Health and Human Services and to carry out a program that may be used by nonprofit community development corporations. The Committee expects the Labor Department to give priority consideration to funding projects in rural areas in States such as Iowa which have particular needs for both dislocated farmer assistance and job creation demonstration projects."	The Department is implementing dislocated farmer and job creation demonstration programs using FY 1989 funds and will continue them using FY 1990 funds appropriated to Section 324(a). In implementing the job creation demonstration program, the Department expects to consult with the Office of Community Services in HHS and will invite nonprofit community development corporations to apply for funds. It is Departmental practice to use competitive solicitations whenever possible for its demonstration programs. Rural areas including those cited in the report will be eligible to apply for both these demonstration programs.
"The Committee directs the Labor Department to fund a public works demonstration program, a component	A public works demonstration program was implemented using FY 1989 funds in those areas affected by the

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to Be Taken
of the demonstration fund authorized under the Omnibus Trade Act, and recommends that a demonstration project be conducted in Alexander County in southern Illinois."	recent natural disasters. These areas experienced major worker dislocations and have urgent needs for public works.
1990 Conference Report (No. 101-274)	
No specific actions recommended.	

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request 1990	Budget Request 1991
Authorizing legislation containing indefinite authority		
Job Training Partnership Act (29 U.S.C. 1501):		
Title III, Employment and Training Assistance for Dislocated Workers (29 U.S.C. 1651)	1/ --	$400,000,000

1/ Funding under this authorizing legislation in the amount of $463,603,000 was included in the Training and Employment Services appropriation in 1990.

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1989 1/	--	$287,220,000	$287,220,000	$283,773,000 2/
1990 1/	400,000,000	450,000,000	500,000,000	470,000,000
Reduction pursuant to P.L. 99-177 1/				6,397,000
1991	400,000,000			

1/ For display purposes only. These funds were appropriated to the Training and Employment Services appropriation for 1989 and 1990 and are included in the TES "Appropriation History" table.

2/ Reduced by $3,447,000 for the 1.2% across-the-board reduction pursuant to P.L. 100-436.

EMPLOYMENT AND TRAINING ADMINISTRATION
WORKER READJUSTMENT

JUSTIFICATION

	1990 Appropriation	1990 Estimate 1/	Difference App/Estimate	1991 Estimate	Difference 1990/1991
Economic Dislocation and Worker Adjustment Assistance..	$470,000,000	$463,603,000	-$6,397,000	$400,000,000	-$63,603,000
otal Budget Authority...	470,000,000	463,603,000	-6,397,000	400,000,000	-$63,603,000

/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177 $6,397,000

Comparative transfer from Training and Employment Services.................. $463,603,000

General Statement

This new account is being established to separately account for funding of the dislocated workers programs as authorized by the Economic Dislocation and Worker Adjustment Assistance (EDWAA) Act contained in the Omnibus Trade and Competitiveness Act of 1988. The EDWAA Act amended Title III of the Job Training Partnership Act (JTPA), and funding was previously provided as part of the Training and Employment Services (TES) account. JTPA programs which focus principally on the economically disadvantaged population will continue to be funded by the TES account. The Worker Readjustment account will fund the amended JTPA Title III program which provides services to workers who have been dislocated but may not necessarily be economically disadvantaged.

To eliminate duplication in worker readjustment programs, legislation will be proposed to repeal training and benefits under the Trade Adjustment Assistance (TAA) program. Currently TAA is funded from the Federal Unemployment Benefits and Allowances account. Upon enactment of the proposed legislation the Department will propose that all remaining funds for dislocated worker programs, including funds for the payout of TAA benefits in 1991 to those receiving payments during the week including September 30, 1990, be included in this new account. This also includes benefits under the Redwood National Park Amendments of 1987.

1991 Budget Request

FY 1991 will be the third year of operation for the EDWAA program. The new Title III system includes components to promote early identification of dislocated workers, the rapid provision of services to such workers, and emphasizes the provision of longer-term, quality training to such workers. Universal rapid response capability, early intervention activities, the availability of needs-related payments to assist workers in training, and the establishment of substate delivery systems all indicate that the new program should be significantly more efficient in providing early identification and assistance to dislocated workers.

An additional factor promoting more efficient use of resources is the mandatory reallotment provisions of the new law. States and substate grantees will have an added incentive to establish more efficient spending and management practices.

During PY 1991, the requested level of $400,000,000 will serve an estimated 252,500 new participants with an average enrollment of 111,700 at a service year cost of $3,762. Total estimated levels of participation and related costs for program years 1989, 1990, and 1991 are as follows:

	Average Enrollment	New Participants	Total Terminations	Total Entered Employment	Service Year Cost
PY 1989	90,900	225,700	171,900	118,600	$3,563
PY 1990	121,200	274,800	277,400	191,400	3,639
PY 1991	111,700	252,500	258,700	178,500	3,762

1990 Program Year

PY 1990 will be the second year for the EDWAA program. The PY 1990 funding level for this program will be $463,603,000. An estimated average enrollment of 121,200 will be maintained, at a service year cost of $3,639, using these new funds and carryover from the previous dislocated worker program.

1989 Program Year

The PY 1989 funding level, the first year for the EDWAA program, is $283,773,000. An estimated average enrollment of 90,900 will be maintained at a service year cost of $3,563, using these new funds and carryover from the previous dislocated worker program.

Changes for 1991

Activity Changes:

Program.. -$63,603,000

Economic Dislocation and Worker Adjustment Assistance

Proposal: To provide for a decrease of 9,500 average enrollments.

Rationale: The reduction is due to the pressing need for additional resources in other program areas.

Program Effect: The reduced resources will result in fewer dislocated workers being trained.

Base: Estimate: $463,603,000

Program Decrease: Estimate: -$63,603,000

JTPA TITLE III - ECONOMIC DISLOCATION AND WORKER ADJUSTMENT ASSISTANCE

STATE TABLES

State	1989 Actual (7/89-6/90)	1990 Estimate (7/90-6/91)	1991 Request *1 (7/91-6/92)
Alabama	$ 5,725,000	$10,557,000	$ 9,109,000
Alaska	1,193,000	1,716,000	1,481,000
Arizona	2,896,000	5,564,000	4,800,000
Arkansas	2,798,000	6,277,000	5,416,000
California	21,175,000	33,650,000	29,034,000
Colorado	4,833,000	7,047,000	6,080,000
Connecticut	1,043,000	1,941,000	1,675,000
Delaware	141,000	368,000	317,000
District of Columbia	539,000	811,000	700,000
Florida	2,213,000	15,409,000	13,295,000
Georgia	4,779,000	9,439,000	8,144,000
Hawaii	345,000	516,000	446,000
Idaho	1,268,000	1,252,000	1,080,000
Illinois	16,793,000	22,845,000	19,711,000
Indiana	4,398,000	4,611,000	3,978,000
Iowa	1,959,000	2,440,000	2,106,000
Kansas	1,190,000	2,011,000	1,735,000
Kentucky	6,615,000	8,995,000	7,761,000
Louisiana	11,866,000	19,213,000	16,577,000
Maine	493,000	730,000	630,000
Maryland	1,993,000	3,539,000	3,053,000
Massachusetts	1,804,000	3,433,000	2,962,000
Michigan	15,527,000	24,572,000	21,201,000
Minnesota	2,309,000	3,499,000	3,019,000
Mississippi	4,772,000	8,149,000	7,031,000
Missouri	4,606,000	8,191,000	7,068,000
Montana	1,221,000	1,694,000	1,462,000
Nebraska	739,000	933,000	805,000
Nevada	933,000	1,330,000	1,147,000
New Hampshire	237,000	473,000	408,000
New Jersey	3,078,000	5,213,000	4,498,000
New Mexico	2,488,000	3,476,000	2,999,000
New York	8,193,000	17,047,000	14,708,000
North Carolina	2,361,000	3,878,000	3,346,000
North Dakota	356,000	587,000	506,000

JTPA TITLE III - ECONOMIC DISLOCATION AND WORKER ADJUSTMENT ASSISTANCE

STATE TABLES

State	1989 Actual (7/89-6/90)	1990 Estimate (7/90-6/91)	1991 Request *1 (7/91-6/92)
Ohio	13,385,000	18,095,000	15,612,000
Oklahoma	4,047,000	6,025,000	5,198,000
Oregon	2,650,000	3,955,000	3,413,000
Pennsylvania	8,598,000	11,301,000	9,751,000
Puerto Rico	7,714,000	14,825,000	12,791,000
Rhode Island	309,000	495,000	427,000
South Carolina	2,241,000	2,421,000	2,089,000
South Dakota	304,000	572,000	494,000
Tennessee	4,492,000	6,698,000	5,779,000
Texas	21,625,000	39,866,000	34,397,000
Utah	1,165,000	1,159,000	1,000,000
Vermont	179,000	263,000	227,000
Virginia	2,291,000	3,846,000	3,318,000
Washington	6,232,000	7,940,000	6,850,000
West Virginia	4,284,000	6,343,000	5,473,000
Wisconsin	3,978,000	4,664,000	4,024,000
Wyoming	646,000	1,008,000	870,000
American Samoa	25,000	37,000	28,000
Guam	150,000	247,000	214,000
Marshall Islands	62,000	105,000	91,000
Micronesia	146,000	247,000	257,000
Northern Marianas	16,000	27,000	23,000
Palau	16,000	27,000	23,000
Virgin Islands	188,000	296,000	214,000
Undistributed	56,151,000	91,735,000	79,149,000
NATIONAL TOTAL	283,773,000	463,603,000	400,000,000

*1 - These preliminary amounts are based on currently available labor market information.

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

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EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

To carry out the activities for national grants or contracts with public agencies and public or private nonprofit organizations under paragraph (1)(A) of section 506(a) of title V of the Older Americans Act of 1965, as amended, [$282,360,000] *$267,395,000*.

To carry out the activities for grants to States under paragraph (3) of section 506(a) of title V of the Older Americans Act of 1965, as amended, [$79,640,000] *$75,419,000*. *(Department of Labor Appropriations Act, 1990.)*

ANALYSIS OF APPROPRIATION LANUAGE

Language Provision	Explanation
"...To carry out the activities for national grants or contracts... *$267,395,000*... To carry out the activities for grants to States... *$75,419,000*."	Specifying the amount in the language allows CSEOA to distribute 78% of the funds to national sponsors and 22% to State sponsors, notwithstanding section 506(a)(2) of the Older Americans Act, as amended. If the distribution between national and State sponsors was based on section 506(a)(2), there would be a shift of funds from national sponsors to the States. This specification of funds maintains the same distribution between national and State sponsors as in past years.

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable	1990	1991
Appropriation	$343,824,000	$362,000,000	$342,814,000
Reduction pursuant to P.L. 99-177	--	-4,987,000	--
Total, estimated obligations	343,824,000	357,013,000	342,814,000

SUMMARY OF CHANGES

	1990	1991	Net Change
Budget Authority:			
General Funds	$357,013,000	$342,814,000	-$14,199,000

	General Funds
Explanation of Change:	
Decrease:	
Program:	
To provide for a reduction due to budgetary constraints (1990 Base: $357,013,000)	-14,199,000
Total Decrease	-14,199,000
Total Change	-14,199,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable	1990 Appropriation	1990 1/ Estimate	1991 Estimate	Change
Budget Authority applied to General Funds:					
1. National programs	$268,183,000	$282,360,000	$278,470,000	$267,395,000	-$11,075,000
2. State programs	75,641,000	79,640,000	78,543,000	75,419,000	-3,124,000
Total Budget Authority	343,824,000	362,000,000	357,013,000	342,814,000	-14,199,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177... $4,987,000

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Grants, subsidies, and contributions.........	$362,000,000	$357,013,000	$342,814,000	-$14,199,000
Total, budget authority by object..............	362,000,000	357,013,000	342,814,000	-14,199,000
Advisory and Assistance Services included above..................	(--)	(--)	(--)	(--)

CSEOA-5

SIGNIFICANT ITEMS IN 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to Be Taken
1990 House Report (No. 101-172)	
Minority and Ethnic Population	
"The Committee reaffirms its strong support for this effective program and encourages efforts to obtain greater minority and ethnic participation."	The program continues to maintain a high level of minority participation. For the most recent program year ending June 30, 1989, minority participation was over 37 percent. This compares favorably to minority representation in the eligible population.
Maintenance of Current Operations	
"...it is further expected that the Department of Labor will maintain substantially the existing status and method of operations so as to assure minimal disruption of this successful program."	The Department plans no major program changes.
Cooperation with JTPA Older Workers Programs	
"The Committee encourages service delivery areas under the Job Training Partnership Act to make greater use of national sponsors under the community service employment program for older Americans as a means for enrolling more economically disadvantaged persons age 55 or older in training programs. Service delivery areas should continue to utilize State and area agencies on aging and increase their involvement in job training programs."	Coordination is a continuing priority. During fiscal year 1989 there were regional conferences and symposiums to establish increased cooperation and linkages between the programs. Similar efforts are planned for 1990 and future years.

CSEOA-6

SIGNIFICANT ITEMS IN 1990 HOUSE AND SENATE APPROPRIATIONS COMMITTEES REPORTS

Item	Action Taken or to Be Taken
1990 Senate Report (No. 101-127)	
Minority and Ethnic Population	
"The Committee reaffirms its strong support for this effective program and encourages efforts to obtain greater minority participation."	The program continues to maintain a high level of minority participation. For the most recent program year ending June 30, 1989, minority participation was over 37 percent. This compares favorably to minority representation in the eligible population.
Maintenance of Current Operations	
"...it is further expected that the Department of Labor will maintain substantially the existing status and method of operations so as to assure minimal disruption of this successful program."	The Department plans no major program changes.
Cooperation with JTPA Older Workers Programs	
"The Committee encourages service delivery areas under the Job Training Partnership Act to make greater use of national sponsors under the community service employment program for older Americans as a means for enrolling more economically disadvantaged persons age 55 or older in training programs. Service delivery areas should continue to utilize State and area agencies on aging and increase their involvement in job training programs."	Coordination is a continuing priority. During fiscal year 1989 there were regional conferences and symposiums to establish increased cooperation and linkages between the programs. Similar efforts are planned for 1990 and future years.
1990 Conference Report (No. 101-274)	
No specific actions recommended.	

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation		Budget Request 1990	Budget Request 1991
Authorizing legislation containing specific authority			
Item	Authority		
Title V of the Older Americans Act of 1965, as amended, 42 U.S.C. 3001	$447,671,000	$357,013,000	$342,814,000

CSEOA-8

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981..............	$267,100,000	$277,100,000	--	$277,100,000
1982..............	277,100,000	277,100,000	69,300,000	277,100,000
1983..............	--	277,100,000	286,800,000	319,450,000
1984..............	--	317,300,000	319,450,000	317,300,000
1985..............	317,300,000	--	335,000,000	326,000,000
1986..............	326,000,000	326,000,000	326,000,000	1/ 312,002,000
1987..............	326,000,000	336,000,000	336,000,000	336,000,000
1988..............	326,000,000	2/	346,000,000	331,260,000
1989..............	336,000,000	346,000,000	350,000,000	3/ 343,824,000
1990..............	336,000,000	354,000,000	370,000,000	362,000,000
Reduction pursuant to P.L. 99-177.......				4,987,000
1991..............	342,814,000			

1/ Reflects $13,998,000 reduction pursuant to P.L. 99-177.

2/ Not considered due to lack of authorizing legislation.

3/ Reduced by $4,176,000 for the 1.2% across-the-board reduction pursuant to P.L. 100-436.

EMPLOYMENT AND TRAINING ADMINISTRATION
COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

JUSTIFICATION

	1990 Appropriation	1990 Estimate 1/	Difference App/Estimate	1991 Estimate	Difference 1990/1991
National programs.....	$282,360,000	$278,470,000	-$3,890,000	$267,395,000	-$11,075,000
State programs.....	79,640,000	78,543,000	-1,097,000	75,419,000	-3,124,000
Total Budget Authority...	362,000,000	357,013,000	-4,987,000	342,814,000	-14,199,000

1/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177 $4,987,000

General Statement

The Community Service Employment for Older Americans appropriation finances Federal project grants to public and private nonprofit national-level organizations and to units of State government. Grants subsidize part-time work opportunities in community service activities for unemployed low-income persons aged 55 and over. A participant's annual family income cannot exceed 125 percent of the poverty level established by the Department of Health and Human Services. Program participants generally work 20-25 hours per week in a wide variety of activities, such as day-care centers, schools, hospitals, senior citizens centers, facilities for the handicapped, nutrition programs, and beautification, conservation, and restoration projects.

Appropriations for the Senior Community Service Employment Program (SCSEP) provide advance funding for program years which extend from July 1 of the appropriation year to June 30 of the following year.

The division of funds between State and national sponsors is stated in the appropriation act language which provides for a split of 78 percent for national sponsors and 22 percent for State sponsors.

The program is authorized through Fiscal Year 1991 under Title V of the Older Americans Act of 1965, as amended. The program unit costs used for Program Years 1990 and 1991 have been adjusted for increases in the minimum wage included in the Fair Labor Standards Amendments of 1989 (P.L. 101-157).

NATIONAL PROGRAMS

	1990 Appropriation	1990 Estimate 1/	Difference App/Estimate	1991 Estimate	Difference 1990/1991
National programs....	$282,360,000	$278,470,000	-$3,890,000	$267,395,000	-$11,075,000

1/ Included in 1990 Estimate above:
Reduction pursuant to
P.L. 99-177.................. $3,890,000

Introduction

All Senior Community Service Employment Program (SCSEP) funds are allocated by a formula provided in Section 506 of the Older Americans Act. Since 1989, the national sponsors' portion of the SCSEP has been operated through nine national nonprofit organizations and the U.S. Forest Service. The ten current national sponsors include three that operate primarily in rural areas--Green Thumb, Inc. (an arm of the National Farmers Union), the U.S. Forest Service, and the National Center on Black Aged. The National Urban League operates primarily in cities, while the National Council of Senior Citizens, the American Association of Retired Persons, the National Council on Aging, and the National Association for Hispanic Elderly operate mainly in urban and suburban areas. The 1987 amendments to the authorizing legislation mandated the addition of two new national contractors in 1989, to serve Indians and Pacific Island and Asian Americans. They are the National Indian Council on Aging to serve Indians and the National Pacific/Asian Resource Center to serve Asian Americans.

Local projects are operated through two general approaches: (1) by contracts with local organizations such as agencies on aging or community groups, and (2) through local affiliates of the sponsoring national organization. These SCSEP projects are coordinated with those of other State and Federal programs serving Older Americans to ensure that subsidized jobs are distributed equitably and to coordinate activities and services.

The local projects' activities include the following: recruitment and selection of enrollees, development of subsidized jobs, management of payroll records, counseling of enrollees, training of enrollees to perform their work or to develop occupational skills, annual physical examinations and placement of enrollees into unsubsidized jobs.

1991 Budget Request

The 1991 request is $267,395,000, a decrease of $11,075,000 below the amount available in 1990. This request will provide about 44,100 slots to the 10 national sponsors in the 1991 program year at the average budgeted unit cost of $6,061 which reflects increases in the minimum wage. The number of participants placed in unsubsidized employment is expected to continue to increase on a percentage basis, with continuing emphasis on private sector placement.

1990

In 1990 the funding level is $278,470,000 an increase of $10,287,000 above the amount available in 1989. This request will provide about 49,300 slots to the 10 national sponsors in the 1990 program year. Budgeted at $5,652, the average unit cost reflects the increase in the minimum wage effective in Program Year 1990. The number of participants placed in unsubsidized employment is expected to continue to increase on a percentage basis with the continuing emphasis on private sector employment.

1989

In 1989 the funding level of $268,183,000 will provide approximately 51,300 slots at a unit cost of $5,225. As mandated in the Older Americans Act Amendments of 1987, national aging organizations representing Indians and Pacific Island and Asian Americans are being awarded grants in PY 1989, which begins July 1, 1989. This increases the number of national sponsors from eight to 10.

Changes for 1991

Activity Changes:

Net Program.. -$11,075,000

National Programs

Proposal: To provide for a decrease of 5,200 slots for a total job level of 44,100.

Rationale: The reduction is due to budgetary constraints.

Program Effects: The reduced resources will result in fewer subsidized jobs available for older workers. Participation reductions will occur through attrition.

Base: Estimate: $278,470,000

Program Decrease: Estimate: -$11,075,000

STATE PROGRAMS

	1990 Appropriation	1990 1/ Estimate	Difference App/Estimate	1991 Estimate	Difference 1990/1991
State programs....	$79,640,000	$78,543,000	-$1,097,000	$75,419,000	-$3,124,000

1/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177. $1,097,000

Introduction

The State grant portions of the SCSEP funds are generally administered by the various State Agencies on Aging which are funded by the Administration on Aging (AOA) of the Department of Health and Human Services. Grants are made available to each State, Puerto Rico and five territories.

1991 Budget Request

The 1990 request is $75,419,000, a decrease of $3,124,000 below the amount available in 1990. This request will provide about 12,500 slots in the 1990 program year. Budgeted at $6,061, the average unit cost reflects minimum wage increases.

1990

The 1990 funding level is $78,543,000, an increase of $2,902,000 above the amount available in 1989. This request will provide about 13,900 slots in the 1990 program year. The average unit cost of $5,652 reflects the increase in the minimum wage effective in Program Year 1990. The number of participants placed in unsubsidized employment is expected to continue to increase on a percentage basis with the continuing emphasis on private sector employment.

1989

In 1989 the funding level of $75,641,000 will provide approximately 14,500 slots at an average unit cost of $5,225.

Changes for 1991

Activity Changes:

Net Program... -$3,124,000

State Programs

Proposal: To provide for a decrease of 1,400 slots, for a total job level of 12,500.

Rationale: The reduction is due to budgetary constraints.

Program Effect: The reduced resources will result in a decrease of 1,400 subsidized jobs for eligible older workers. Participation reductions will occur through attrition.

Base:	Estimate: $78,543,000
Program Decrease:	Estimate: -$3,124,000

CSEOA-14

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

STATE TABLES

State	1989 Actual (7/89-6/90)	1990 Estimate (7/90-6/91)	1991 Request *1 (7/91-6/92)
Alabama	$ 6,370,000	$ 6,573,000	$ 6,293,000
Alaska	1,486,000	1,534,000	1,463,000
Arizona	3,998,000	4,191,000	3,976,000
Arkansas	6,130,000	6,425,000	6,237,000
California	27,236,000	28,531,000	27,365,000
Colorado	3,289,000	3,422,000	3,279,000
Connecticut	3,816,000	3,977,000	3,838,000
Delaware	1,486,000	1,534,000	1,463,000
District of Columbia	1,925,000	2,009,000	1,938,000
Florida	19,316,000	20,078,000	19,166,000
Georgia	7,343,000	7,631,000	7,311,000
Hawaii	1,486,000	1,534,000	1,463,000
Idaho	1,606,000	1,664,000	1,593,000
Illinois	13,799,000	14,231,000	13,643,000
Indiana	8,944,000	9,285,000	8,950,000
Iowa	4,446,000	4,652,000	4,457,000
Kansas	3,530,000	3,684,000	3,534,000
Kentucky	6,476,000	6,733,000	6,481,000
Louisiana	5,992,000	6,120,000	5,849,000
Maine	2,078,000	2,158,000	2,082,000
Maryland	4,535,000	4,689,000	4,502,000
Massachusetts	7,485,000	7,736,000	7,486,000
Michigan	11,323,000	11,653,000	11,168,000
Minnesota	7,891,000	8,345,000	8,117,000
Mississippi	4,315,000	4,442,000	4,254,000
Missouri	8,421,000	8,800,000	8,473,000
Montana	2,077,000	2,172,000	2,102,000
Nebraska	2,649,000	2,782,000	2,679,000
Nevada	1,607,000	1,664,000	1,593,000
New Hampshire	1,544,000	1,596,000	1,525,000
New Jersey	9,709,000	10,144,000	9,811,000
New Mexico	1,810,000	1,879,000	1,788,000
New York	23,347,000	24,169,000	23,315,000
North Carolina	8,802,000	9,103,000	8,699,000
North Dakota	2,004,000	2,093,000	2,022,000

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

STATE TABLES

State	1989 Actual (7/89-6/90)	1990 Estimate (7/90-6/91)	1991 Request *1 (7/91-6/92)
Ohio	15,178,000	15,731,000	15,074,000
Oklahoma	5,419,000	5,606,000	5,390,000
Oregon	4,786,000	5,011,000	4,842,000
Pennsylvania	19,093,000	19,748,000	18,953,000
Puerto Rico	4,124,000	4,237,000	4,035,000
Rhode Island	1,789,000	1,862,000	1,791,000
South Carolina	4,502,000	4,655,000	4,441,000
South Dakota	2,296,000	2,410,000	2,339,000
Tennessee	7,045,000	7,260,000	6,942,000
Texas	18,532,000	19,230,000	18,374,000
Utah	2,116,000	2,204,000	2,125,000
Vermont	1,842,000	1,918,000	1,847,000
Virginia	7,049,000	7,350,000	7,075,000
Washington	4,900,000	5,097,000	4,866,000
West Virginia	3,882,000	4,021,000	3,871,000
Wisconsin	8,606,000	9,035,000	8,744,000
Wyoming	1,607,000	1,664,000	1,593,000
American Samoa	746,000	770,000	734,000
Guam	746,000	770,000	734,000
Marshall Islands	32,000	0	0
Micronesia	85,000	0	0
Northern Marianas	354,000	346,000	310,000
Palau	78,000	85,000	85,000
Virgin Islands	746,000	770,000	734,000
NATIONAL TOTAL	343,824,000	357,013,000	342,814,000

*1 - These preliminary amounts are based on currently available labor market information.

TUESDAY, MARCH 6, 1990.

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

WITNESSES

ROBERTS T. JONES, ASSISTANT SECRETARY OF LABOR

CAROLYN M. GOLDING, DEPUTY ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING ADMINISTRATION

ROBERT A. SCHAREFL, DIRECTOR, UNITED STATES EMPLOYMENT SERVICE

DAVID O. WILLIAMS, DEPUTY ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING ADMINISTRATION

MARY ANN WYRSCH, DIRECTOR, UNEMPLOYMENT INSURANCE SERVICE

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. Mr. Jones, we will insert your next statement in the record at this point.

[The prepared statement of Roberts T. Jones follows:]

Statement by Roberts T. Jones
Assistant Secretary of Labor for Employment and Training
House Appropriations Subcommittee
Fiscal Year 1991 Budget Request
Employment and Training Administration
State Unemployment Insurance and Employment Service Operations
Federal Unemployment Benefits and Allowances
Advances to the Unemployment Trust Fund and Other Funds

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to appear here today. The budget request before you supports the goals and priorities outlined by Secretary Dole this morning, and assumes an improving economy with accompanying declines in workload and slightly changing priorities. The requests total $3.3 billion under current legislation, as compared to the $2.9 billion which has been appropriated for 1990. However, the requests would be reduced to $3.0 billion upon enactment of proposed legislation to repeal the Trade Adjustment Assistance program.

The 1991 budget request for State Unemployment Insurance and Employment Service Operations is $2.7 billion. We are requesting $230.5 million for the Federal Unemployment Benefits and Allowances account, and $328 million for the Advances to the Unemployment Trust Fund and Other Funds account.

State Unemployment Insurance and Employment Service Operations

The 1991 request for State Unemployment Insurance and Employment Service Operations is $2.7 billion. These funds finance State administrative costs of unemployment insurance and employment service activities and with the exception of $23 million in general revenue funds are all trust funds.

For unemployment insurance operations we are requesting $1.93 billion, which will support workloads anticipated under the projected insured unemployment rate of 2.1 percent. The request for basic UI operations will finance costs associated with workloads averaging 1.7 million claims per week nationally, the same level as the 1990 appropriation, reflecting a continued strong economy with lower unemployment workloads than are projected for the present fiscal year. Administrative costs associated with workloads above the 1.7 million base level would, as usual, be financed from contingency funds.

In addition to net mandatory increases of $201.1 million, we are requesting additional funds of $27.8 million for increases relating to additional State staff for workload associated with verification of aliens' eligibility for unemployment, increased staff for State Integrity activities, and an increase in UI National Activities for interstate communications costs. A total of $18.9 million is requested for updating State automated systems for benefit payments and collection of taxes, and is the same level as in 1990. The request for UI National Activities is $6.4 million, an increase of $400,000 from 1990. The UI request reflects the continuation of the 1990 1.4 percent Gramm-Rudman-Hollings reduction.

The request for the Employment Service of $781.5 million includes $722.6 million in formula State allotments for Program Year 1991 beginning July 1, 1991, and $58.9 million for National Activities. The formula State allotments amount is consistent with last year's request but represents a $56.4 million reduction from the 1990 level of operation. This deficit cutting measure is necessary because of the pressing need for resources in other Federal program areas. The request for ES National Activities of $58.9 million is $9.8 million below the 1990 comparable level. We are not requesting continued funding of the Targeted Jobs Tax Credit program which expires September 30, 1990. The request includes $12.5 million for ES automation which was appropriated in 1990, but which will be obligated in 1991. An increase of $1.6 million is requested for National Activities, including $1.0 million for improvements to the General Aptitude Test Battery used by State ES agencies, and $635 thousand for increased workloads in other activities. Also requested is $2 million for funding annual amortization costs for four States with independent retirement plans in their Employment Service agencies. This is a $958 thousand reduction from the 1990 level and is due entirely to revised actuarial estimates.

Advances to the Unemployment Trust Fund and Other Funds

A total of $328 million is requested for this account to provide general revenue advances to the Black Lung Disability Trust Fund. Account balances in the Unemployment Trust Fund are expected to be sufficient for payment of benefits and thus will not require advances. The Black Lung Disability Trust Fund is administered by the Employment Standards Administration. They can more fully explain the details of this request.

Federal Unemployment Benefits and Allowances

The request for the Federal Unemployment Benefits and Allowances account is $230.5 million in 1991. This includes $159 million for trade readjustment allowances, $71 million for training payments, and $.5 million for continued health and pension costs of the Redwood program.

Proposed legislation will be submitted to repeal the Trade Adjustment Assistance provisions of the Trade Act. Upon enactment, a revised budget request will be presented to the Committees. This revised request would include no funding for this account. Instead, $40.5 million would be requested for the new Worker Adjustment account, and will be used to finance trade readjustment allowances for those workers receiving such allowances during the last week in September 1990, and for costs of the Redwood program.

This concludes my statement, Mr. Chairman. My staff and I will be glad to answer any questions you or members of the Subcommittee may have on the Fiscal Year 1991 request, or on the funding situation we are presently facing in the Unemployment Insurance program.

Mr. Natcher. Your budget request for State operations appears similar to the one you submitted last year. Is that a fair statement?

Mr. Jones. Yes, sir.

Mr. Natcher. Are there any significant differences this year?

Mr. Jones. No, sir.

ECONOMIC ASSUMPTIONS

Mr. Natcher. What economic assumptions, Mr. Jones, were used in compiling this budget request?

Mr. Jones. Mr. Chairman, I would like Carolyn Golding, our Deputy Assistant Secretary, to respond to that.

Mr. Natcher. Go right ahead.

Ms. Golding. We assumed a total unemployment rate for the civilian labor force of 5.4 percent and an insured unemployment rate of 2.1 percent.

Mr. Natcher. How does that compare with the experience in 1989?

Ms. Golding. In 1989 the civilian total unemployment rate was 5.3 and the insured unemployment rate was the same at 2.1 percent.

UNEMPLOYMENT BENEFITS AND RECEIPTS

Mr. Natcher. What are the unemployment benefit estimates for 1990 and 1991?

Ms. Golding. The total benefits paid?

Mr. Natcher. Yes.

Ms. Golding. For 1990, our current estimate is for all programs $16.7 billion and for 1991, $16.9 billion. The state programs are $16.1 billion in 1990 and $16.4 billion in 1991.

Mr. Natcher. What are the tax receipts estimates?

Ms. Golding. We are expecting for 1990 $16.4 billion to be collected in state taxes, $5.3 billion in federal unemployment taxes. In 1991, $16.2 billion in state taxes and $4.5 billion in FUTA revenues.

BUDGET SHORTFALL FOR 1990

Mr. Natcher. You have a 1990 shortfall in the state operations account. A number of states have notified the committee of this fact. How much is the estimated shortfall?

Mr. Jones. Mr. Chairman, it is about $120 million.

Mr. Natcher. What accounts for the shortfall?

Mr. Jones. Two things, a Gramm-Rudman cut accounts for about $24 million and a shortfall due to an increase in the insured unemployment rate and increased workloads which total some $96 million.

Mr. Natcher. Since the Administration did not request a supplemental appropriation to cover this, how has the department handled the situation administratively and what steps have you taken?

Mr. Jones. Let me ask Carolyn once again to outline them. I would point out that as soon as this issue came up we notified both the Congress and the states that it was there and have briefed everybody ever since on exactly what those effects were.

Biographical Sketch

Roberts T. Jones

Assistant Secretary of Labor

Employment and Training Administration
Department of Labor

Roberts T. Jones was appointed Assistant Secretary of Labor for the Employment and Training Administration by President Reagan and confirmed by the United States Senate on August 11, 1988. He served as Deputy Assistant Secretary of Labor since November 1985.

As Assistant Secretary, he oversees the administration of all Employment and Training Administration programs, including the Job Training Partnership Act, Unemployment Insurance programs, the United States Employment Service, Job Corps, Trade Adjustment Assistance, and the Bureau of Apprenticeship and Training. He oversees an annual Employment and Training Administration budget of approximately $29 billion.

Mr. Jones was awarded the Presidential Rank Award for Distinguished Executives by President Reagan in 1986. He is also the recipient of the 1987 Philip Arnow Award, which is the Department of Labor's highest award.

Mr. Jones joined the U.S. Department of Labor in 1971 and has served in a variety of executive positions where he was instrumental in shaping training and employment legislation and administering programs.

There are, as you already know, proposals in the Congress, probably bipartisan proposals, to go ahead and move a supplemental in any case. We are going to watch that along with tracking the impact of the shortfall on the states themselves.

EFFECTS OF THE UI SHORTFALL

Mr. NATCHER. What effect is the funding shortfall having on the states at this particular time?

Mr. JONES. At this moment we are watching the states. Based on your request, we are requesting approval from OMB to do a survey of each state to get detailed information.

Currently, two things are taking place. One is that states are using this opportunity to close up some of their itinerant offices, not full service offices but some that have been temporary and outstationed for months or years. Second, there are some permanent layoffs of contingency or temporary people that have occurred. There is also some delay of travel and some staff furloughs in a number of places.

On top of that, we are seeing an increased number of states appropriating their own general revenue funds to supplement the basic system.

Mr. NATCHER. Will the states be able to handle this shortfall with the substantial problems in 1990?

Mr. JONES. I think that depends on the level. Currently, if it were to continue the way we are going, we think they could do it by shifting resources. If workload increases to any degree, then there will be a greater impact.

TIMING OF A UI SUPPLEMENTAL

Mr. NATCHER. If Congress were able to find a way to provide a supplemental for 1990, at what point in the year would it have to be done in order to be helpful in dealing with this particular situation?

Mr. JONES. Probably summer, July or August.

Mr. NATCHER. Given the fact that the unemployment rate has been very stable for the past year or so it is a little difficult to understand, Mr. Jones, why the unemployment claims workload is going up. How do you explain this?

Mr. JONES. We see two things that have happened. We have been watching this in some detail ourselves to try to understand it. While there is increased hiring and job growth going on to maintain the employment rates, there is also an increase in dislocation in certain industries in certain parts of the country, certainly in autos, textiles and a couple of others.

Also, during the last few months we were inordinately hit by the storms that came through the east coast, the freezes in Texas, and Florida, and the earthquake in California. All disasters which substantially increased the people on unemployment insurance during this time.

Increased layoffs at the same time we have increased hiring going on may be a permanent kind of behavior that we will see more of and not less of, so it is of some interest to us as well.

We have taken a number of steps within the department to shift funds around and reduce any kind of overload that the system might have.

Ms. GOLDING. In addition to what Mr. Jones outlined in the way of early notification of the Congress and the states, we also took the latest data we had on the unemployment insurance workloads in the states and reallocated the base for the remainder of the year in order to use the latest available data.

We also reprogrammed resources to the extent that we had them available within the limits of the existing appropriations to make available the maximum amount of resources to actually process workload. The funds were moved out of lower priority activities.

In effect, what we have is a situation in which the average shortfall nationwide is about 6.7 percent of what we need. By redistributing the resources into those states whose workloads are higher, we have managed to cover some of the increased workloads through the base and through the contingency funds.

Mr. NATCHER. When this first came up, did you consider other administrative options for handling this problem, in any way?

Ms. GOLDING. I think we exhausted the administrative alternatives within our authority.

SUPPLEMENTAL UI REQUEST

Mr. NATCHER. Did the agency request a supplemental for this during the deliberations on the 1991 budget at the time you were compiling it?

Mr. JONES. Yes, sir.

Mr. NATCHER. It was turned down?

Mr. JONES. Yes, sir.

Mr. NATCHER. Is there a method by which you can borrow from the fourth quarter to take care of deficiencies in the third quarter? Can that be done administratively without a supplemental?

Ms. GOLDING. No, sir. That would be a deficiency apportionment. That would have to be granted by the Office of Management and Budget. It is not something we can do unilaterally.

Mr. NATCHER. That is something you can do without Congress acting, right?

Ms. GOLDING. The risk of that, however, without an appropriation authorizing us to do that, and without a supplemental, is that we would have no money in the fourth quarter.

Mr. NATCHER. So, therefore, in the end a supplemental would have to follow if that procedure were taken?

Ms. GOLDING. Yes, sir, because this is fiscal year funding and it is absolute.

Mr. NATCHER. Do you think the Administration would change its mind with regard to a supplemental at that time?

Mr. Jones, you were here when I asked the Secretary. She said the Administration would turn it down.

Mr. JONES. Mr. Chairman, I think the issue is what happens along the way here in terms of the workload.

It is not one of borrowing and forcing a supplemental through. I think we have to come to an agreement as to whether or not the workload required it and then if it should happen.

UI TRUST FUND RESERVES

Mr. **Natcher**. What is the most recent balance in the Employment Security account?

Mr. **Jones**. $1.76 billion as of the end of this year. That is our estimate.

Mr. **Natcher**. How is this account financed?

Ms. **Golding**. Primarily through deposits from the Federal Unemployment Tax Act.

Mr. **Natcher**. Why is it necessary to maintain such a large balance?

Ms. **Golding**. Actually there is a statutory ceiling of 40 percent of the prior year's appropriation and funds beyond the ceiling flow into the extended unemployment account until that account reaches its ceiling. After that, funds above the ESAA account ceiling will flow into the loan account for states that have exhausted their trust funds.

Mr. **Natcher**. The states and employee groups feel that they are not getting a fair return on the taxes that they are paying in. They say the large surplus in this account is not necessary.

How do you respond to that, Mr. Jones?

Mr. **Jones**. Mr. Chairman, this is sort of an on-going debate. There is another committee of the Congress who thinks not only is that wrong, but that the accounts they ought to be increased even more in anticipation of bad times to come.

The logic of maintaining high account balances is anticipatory, in case we should experience larger unemployment rates we can experience them without incurring general revenue loans.

There will always be tension between those who think that there ought to be two, three or even four years of reserves versus those in the business community who don't think the reserves ought to be for a long period at all because tax monies are not being put into the economy.

We think the current state of that account is an appropriate one. To increase it, more tax money would be taken out of the economy at the wrong time. To cut it puts us at greater risk should unemployment rates go up.

Mr. **Natcher**. A good many states are putting their own funds into a system that is supposed to be funded by the federal tax system. Does this indicate to you that the federal funding is inadequate?

Mr. **Jones**. Well, I think it indicates two things. There are certainly some current inadequacies given the shortfall we have this year. But the issue of states supplementing funds is beginning to pop up on a broader basis. I think it relates more to states becoming more and more interested in the adjustments which workers are increasingly experiencing as they move in and out of the labor market and the fact that in a labor shortage economy there is the need for these people.

States are moving some of these tax monies into training for UI recipients. Also they are beginning to show a significant increase in this shorter term readjustment problem. I suspect we will see that on a longer term basis and not just because of the current

STATE EMPLOYMENT SERVICE REDUCTION

Mr. NATCHER. As you know, the budget before us currently includes a significant dollar reduction below 1990 for the state employment service. You show a reduction of $56 million in state grants, a cut of over 7 percent. Why is this activity again being singled out for a large reduction, Mr. Jones?

Mr. JONES. Mr. Chairman, the Administration proposal on the employment service reflects an increase over our request last year and over the request the year before that. We keep working from our previous request of where we think the employment service ought to be. Congress has increased it in the interim, so the cut is from that increase.

We think it can be effectively run given the current structure of the system at the levels that we have requested.

Also, in each of those years there have been a significant carry over of funds from year to year that the system still has not utilized albeit that those figures in the last year have come down a little bit, they are still in the neighborhood of $60 million.

TARGETED JOBS TAX CREDIT

Mr. NATCHER. You are proposing to eliminate the administrative funding for the targeted jobs tax credit in 1991. Assuming, Mr. Jones, that Congress decides to extend the tax credit beyond its current expiration date of September 30, shouldn't we also provide separate administrative funding for it?

Mr. JONES. We have always had the position, Mr. Chairman, that basically certifying people to an employer is within the context of the normal employment service workload and they ought to be doing that as a part of the placement function.

In the case of the tax credit, the only service they perform is to certify the eligibility for the tax credit. To separately fund that is simply raising employment service funding for a service they ought to be doing anyway.

Mr. NATCHER. Why is the Administration opposed to this program?

Mr. JONES. Basically, the studies that have been done have shown it has not had an impact on hiring people. That part of the tax credit was put in place to induce employers to hire certain targeted groups of people.

It has never been shown that the tax credit has any impact on hiring behavior or the personnel policies of companies.

Basically, what it does is change the way the accountants behave and insure the folks who can claim tax credits claim them.

It is a good accounting mechanism. It has not been constructively shown that it has an impact on hiring behavior, which was the purpose of the program.

UI INCREASES

Mr. NATCHER. You are requesting $1,930,000,000 for the unemployment insurance activity for 1991, an increase of $229,000,000. How much of that increase is for program increases and how much is just to cover built-in cost increases?

Ms. Golding. For program increases I believe it is $27,793,000 and for mandatory increases it is $201,132,000.

Mr. Natcher. Now when you get the record back, explain in a little more detail the two significant program increases that your are requesting.

[The information follows:]

Unemployment Insurance Program Increases

The program increases totaling $27,793,000 are for the following activities:

$3,000,000 is requested to fund workloads associated with the verification of aliens' eligibility for unemployment. This increase will provide additional staff to States experiencing additional work in the claims activities.

An additional $200,000 is requested in UI National Activities for the Interstate Communications program. The increase to cover additional costs of transmitting information among States via satellite.

$24,593,000 is requested in UI State Intergrity activities to finance additional staff for the Eligibility Review Program and for the Benefit Payment Control program. These additional State staff will permit for the expansion of these programs to identify and correct errors in benefit payments. Increased funding should lead to increased detection of eligibility issues earlier in the claims process and result in fewer benefit overpayments. Increased benefit payment control resources should result in increased identification of and collection of overpayments.

UI LOCAL OFFICES

Mr. Natcher. How many local offices do we have in this country now, at the present time? That is unemployment offices.

Mr. Jones. We will have to get that number for you, Mr. Chairman.

Mr. Natcher. All right.

[The information follows:]

Number of Unemployment Insurance Offices

The Department does not have information on the number of unemployment insurance offices in the country. Such information is not currently collected; however, in response to a written request for such information by the Chairman, the Department has requested approval from Office of Management and Budget to collect the data. We are currently working on a survey instrument to obtain information on both unemployment insurance and employment service offices. This information will be provided to the Committee as soon as possible.

STATE SUPPORT FOR UI AND ES 1991 BUDGETS

Mr. Natcher. Now, Mr. Jones, are the states going to be satisfied with your 1991 budget request, or is the committee going to be told that the request is inadequate? What do you assume, Mr. Jones?

Mr. Jones. No, sir. I think the funding for the 1991 budget based on the economic assumptions will be well supported by the states.

Mr. Natcher. Mr. Jones, we want to thank you and your associates for presenting this portion of your budget request. Both hearings have been good, Mr. Jones.

We appreciate it.

Mr. Jones. Thank you, Mr. Chairman. We are appreciative of your continued interest in everything that we have done.

Mr. Natcher. The committee will now adjourn until 2 o'clock Wednesday, March 7.

[The following questions were, submitted for the record:]

STATE FUNDING OF UNEMPLOYMENT INSURANCE PROGRAM

Mr. Natcher: How many States last year felt it necessary to use their own State funds to partially finance the system?

Mr. Jones: The Employment and Training Administration does not collect that information; however, the GAO report on UI administrative funding in 1989 stated that in 1987, 33 States were providing supplemental funding.

Mr. Natcher: How much State money was put into the system?

Mr. Jones: The GAO report stated that States were supplementing their UI program with $54.1 million in State funds in FY 1987. In a more recent survey for FY 1989, the Interstate Conference of Employment Security Agencies (ICESA) reported on August 4, 1989, that States were supplementing their employment security programs (UI, ES, and LMI) by $137.7 million, of which $60.7 million was used for the UI program.

Mr. Natcher: Provide more detailed information for the record.

Mr. Jones: The following table developed by the Interstate Conference of Employment Security Agencies (ICESA) is supplied for the record:

FY 1989

STATE FUNDING
FOR
EMPLOYMENT SECURITY ADMINISTRATION

(in millions of dollars)

PROGRAM SOURCE	ES	UI	LMI	*	TOTAL
PENALTY AND INTEREST	20.3	30.1	1.9	19.8	72.1
STATE GENERAL REVENUE	10.8	15.6	2.7		29.0
STATE ADMINISTRATIVE TAX	15.7	7.0			22.7
OTHER	5.6	8.0	0.2		13.9
TOTALS	52.4	60.7	4.8	19.8	137.7

*not specified

TARGETED JOBS TAX CREDIT (TJTC) PROGRAM

Mr. Natcher: Have you done any formal evaluations of the Targeted Jobs Tax Credit program and, if so, do they bear out your conclusions?

Mr. Jones: Evaluations of the program have been performed and the major findings are as follows:

o Fifty to 75 percent of TJTC certifications are for hires that would have occurred without the program. In approximately 20 percent of hires, persons with TJTC certifications are substituted for other job candidates. Five to 30 percent of certifications are estimated to contribute to net job creation.

o Fewer than ten percent of employers participate in the TJTC program. The employers that do use the program reported on a survey that they do not lower their hiring standards to employ TJTC eligibles; however, analysis of other data from that survey found some evidence of lower hiring standards.

o In most States only a limited number of persons are issued vouchers. Employers report that job applicants rarely show a voucher during the hiring process.

o TJTC has mixed effects on the employment and earnings of target groups. Relative to non-vouchered eligibles, TJTC increases employment for those who are issued vouchers, but in lower-paying jobs. Those vouchered who are then certified tend to have higher-paying jobs than comparable non-certified workers, but also have more turnover.

TARGETED JOBS TAX CREDIT CERTIFICATIONS

Mr. Natcher: For the record, provide the number of TJTC certifications for Fiscal Year 1987, 1988, and 1989.

Mr. Jones: During Fiscal Year (FY) 1987, State Employment Service Agencies issued to employers 568,617 certifications of eligibility to claim the Targeted Jobs Tax Credit. In FY 1988, 493,421 were issued, and in FY 1989, 469,095 were issued. Because of data reporting lags, lags related to the temporary expiration of the credit in 1986 and subsequent retroactive extension, the 1987 certification figures include a significant number of workers hired in 1986.

TARGETED JOBS TAX CREDIT (TJTC) PROGRAM

Mr. Natcher: What steps has the Department taken during the past year to help the States streamline the administration of this program and reduce the cost of administering it?

Mr. Jones: In March and April 1989, the Employment and Training Administration conducted three two and one-half day multi-regional training sessions for State employment security agency TJTC representatives. It updated program information on requirements and implementation, and provided an interchange among States about effective practices and problem resolutions. On July 5, 1989, the Employment and Training Administration issued an Employment Service Program Letter to the State agencies, transmitting policy on TJTC cost efficiency, and twenty specific cost efficient ideas for TJTC operations that had been demonstrated as practical by State agencies.

EMPLOYMENT SERVICE AUTOMATION

Mr. Natcher: Congress provided $12,500,000 for Employment Service automation activities in the 1990 bill. When do these funds actually become available for obligation?

Mr. Jones: Appropriation language specifies that these funds are available for obligation on October 1, 1990.

Mr. Natcher: What are your plans for the money? How do you plan to obligate it?

Mr. Jones: It is our plan to distribute these funds on a competitive basis, similar to the process we use for the distribution of Unemployment Insurance automation grants. States will submit proposals in accordance with guidelines we soon plan to issue. A proposal review panel will evaluate the proposals, giving more weight to those States which are least automated in employment service operations. States will be notified by the end of August of automation awards, and the funds will be obligated on or around October 1, 1990.

Mr. Natcher: Your 1991 budget contains no request to continue this. Does that mean that the Administration is opposed to providing separate automation funds to the Employment Service?

Mr. Jones: The Administration has not yet made any 1992 budget decisions on Employment Service automation funding. We will review this budget item in the 1992 budget process.

UNEMPLOYMENT INSURANCE STAFFING

Mr. Natcher: How many Unemployment Insurance base and contingency staff will be financed in 1991, and how does that compare with 1990?

Mr. Jones: There are 36,475 base staff and 5,547 contingency staff budgeted in 1991, compared with 35,697 base staff and 3,550 contingency staff funded in the 1990 appropriation.

RESTORING 1.4% G-R-H REDUCTION

Mr. Natcher: We see that you have not restored the 1.4% Gramm-Rudman sequester in the 1991 budget. Why not?

Mr Jones: The 1.4% sequester was continued into 1991 in order to help meet the lower government-wide Gramm-Rudman-Hollings deficit reduction targets for 1991.

Mr. Natcher: How much is involved here?

Mr. Jones: We estimate this equates to a savings of approximately $27.4 million.

Mr Natcher: What impact will this have?

Mr. Jones: We expect that the States will have to continue to achieve economies in their operations or finance a portion of program costs themselves.

UI LOCAL OFFICES

Mr. Natcher: How many local UI offices do we have in this country now?

Mr. Jones: The Department does not routinely collect data on number and location of local offices maintained by States; however, other sources of the information are available. The GAO 1989 report on UI administrative funding indicates that there are about 1,850 full-time local UI claims offices. In its annual directory for 1987, the Employment Security Systems Institute (ESSI) listed 3,469 offices in the employment security system. The ESSI directory includes offices that, in addition to UI, provide other services such as those authorized under the Job Training and Partnership Act and the Wagner-Peyser Act. The GAO report only accounts for offices that provide UI services.

Mr. Natcher: Shouldn't the Department collect information on the number of UI offices?

Mr. Jones: We feel this is a State responsibility. Each State determines the location, number and type of their UI offices it needs to best serve its population. There is no requirement on the States to notify the Department of opening or closing of such offices. When circumstances warrant, we can request such information as needed rather than having this information reported on a continuing basis.

UI QUALITY CONTROL SYSTEM

Mr. Natcher: What is the current status of the UI Quality Control System?

Mr. Jones: The UI Quality Control (QC) system has been implemented by all State Employment Security Agencies for the benefits payment function. The first annual report was issued in July 1989. Individual State accuracy rates and a composite rate were contained in this report. More importantly, many of the States have started to use the information relating to their accuracy rates to develop program improvements as a means to overcome claimant, employer and agency errors that contributed to the improper payments. In order to streamline the investigative process, the Department is currently testing the use of the telephone interviews to complete the investigations. This pilot will be evaluated by September 1991.

The proposed design for Revenue Quality Control, known as RQC, will be ready this summer for review and comment by all interested parties. RQC, which will assess the quality of UI revenue or tax operations is scheduled for pilot testing in 1991 and implementation in 1992.

TRADE ADJUSTMENT ASSISTANCE ELIMINATION

Mr. Natcher: Why is the Administration again planning to propose elimination of trade adjustment assistance under the Trade Act?

Mr. Jones: The Trade Adjustment Assistance (TAA) program, which serves workers who lose their jobs due to imports, is duplicative of the Economic Dislocation and Worker Adjustment Assistance Program (EDWAA) contained in Title III of the Job Training Partnership Act. EDWAA provides a wide array of adjustment and training services to dislocated workers and provides a far more effective and equitable approach to the problem of worker dislocation than does TAA.

The TAA program's major weakness is its emphasis on extended income support rather than the early intervention and adjustment services that are necessary to promote effective adjustment. The program is also deficient in that it involves a cumbersome certification process that delays response and it inequitably singles out one group of workers for special treatment.

In contrast, EDWAA serves all dislocated workers, without respect to the cause of the dislocation. It includes the same workers covered by TAA, and would serve them more quickly and effectively. EDWAA emphasizes early and rapid delivery of quick adjustment services such job finding assistance, as well as long-term training where needed. Help is available immediately for workers affected by imports as well as other dislocated workers without the delay for investigating a petition that is required under TAA. Finally, while TAA spends most of its resources on cash weekly benefits, EDWAA channels its resources to adjustment services to meet workers' needs. In light of these factors, the Administration believes the TAA program should be terminated and the workers displaced by imports should be served under EDWAA.

TRADE ACT BENEFIT ESTIMATES

Mr. Natcher: Last year the Administration requested a supplemental for Trade Act benefits which the Congress provided. Now we see that you lapsed nearly $73 million in fiscal 1989. Was the supplemental completely unnecessary?

Mr. Jones: At the time the request was submitted to the Congress, it was believed that Trade Act benefits would increase substantially because of a number of legislative changes, including one requiring retroactive benefits to oil and gas workers. The actual costs of these provisions proved significantly less than originally projected.

Mr. Natcher: Why do you have so much difficulty in estimating Trade Act requirements?

Mr. Jones: The main estimating problem in FY 1989 was due to the provision in the Omnibus Trade and Competitiveness Act of 1988 which retroactively covered import-impacted workers in the oil and gas industry. We certified approximately 660 petitions involving an estimated 68,000 workers and made a great effort to notify these workers of the available benefits. If the proportion of these workers receiving Trade Act benefits had been similar to our normal experience in the program, we would have paid more than $80 million to this group. Instead, very few workers claimed benefits and we spent less than $10 million. This one-time discrepancy accounts for the entire amount of lapsed funds.

UNEMPLOYMENT INSURANCE PROGRAM REPORT

Mr. Conte: In the 1990 Conference Report the Department was directed to study the base staff level for Unemployment Insurance Services in the States and to determine what it would take for the States to maintain a solid core of professional staff to administer the program. I know the report isn't due until June, but given the unemployment insurance shortfall in the States, what is this study turning up?

Mr. Jones: The Employment and Training Administration is working on the minimum base study requested by the Senate Appropriations Committee. We plan to address both the formulation and allocation components of the minimum base issue in the report and intend to present several alternative approaches with cost estimates for Congressional consideration. We also plan to seek public comments on these alternatives. In terms of preliminary findings, we conducted an 8-State survey in FY 1988-89, looking at issues such as staff diversion, the impact of automation, the extent to which functions are done in local offices vs. central offices, the extent to which States are supplementing Federal dollars, and issues related to Nonpersonal Services (NPS). In addition, several recent GAO reports have explored issues related to minimum base staffing. The results of these sources of information, as well as others, will be used to develop this report. We are mindful of the fact that there may be a point beyond which continued workload reductions make it impossible to maintain a viable UI program in the States and at which point an agency's ability to respond to a downturn in the economy is compromised. Although there is currently no consensus on what that point may be, the study will focus on this issue so that informed decisions can be made.

EMPLOYMENT SERVICE ALLOTMENTS FOR STATES

Mr. Conte: In your budget justification you provide a table showing the employment service allotments for States. It seems to me that several States, such as Massachusetts, where unemployment is rising and budgets are tight will receive less money under this proposal. What's going on here? If unemployment goes up, why shouldn't the service allotment also go up?

Mr. Jones: The statutory formula used in allocating employment service allotments to States uses State specific data on civilian labor force and the number of unemployed as the primary factors in the allocation. The recent rise in Massachusetts' unemployment is reflected in the increasing share of funds allocated the State in 1990 compared to 1989. Ordinarily, States with rising unemployment will receive more resources in relation to States whose unemployment is falling. However, since we are proposing a $56.4 million reduction in allotments to States for 1991, every State, including Massachusetts, will receive less than their 1990 allotment. This reduction, a deficit cutting measure, is due to the pressing need for additional resources in other Federal program areas.

STATE UNEMPLOYMENT INSURANCE AUTOMATION

Mr. Conte: In 1982 I helped to get the automation grants started. What is the status of this program? Are we ready for another wave of technological improvements?

Mr. Jones: The Unemployment Insurance Automation Support Account program is in its seventh year. For Fiscal 1990, 44 States submitted 103 proposals requesting approximately $60 million in grants requests. Currently, State Unemployment Insurance agencies have at least moderate levels of automation in their UI and Tax systems. The majority of States have large mainframe computer operations that sustain and support the UI process from the central office to the local office. Many States are utilizing newer technologies to automate areas that did not previously lend themselves to the larger mainframe environment. Major initiatives are underway in several States to develop and redesign older more cumbersome benefit and tax systems. Automation is a major vehicle for States to continue to provide timely service to the UI claimants through the taking and paying of claims, and the timely and accurate collection of taxes. Improvements through technology is an on-going necessary function of each State.

STATE FUNDING OF EMPLOYMENT SECURITY

Mr. Stokes: The issue of the shortfall in the State Unemployment Insurance operations budget was discussed at some length this morning and Secretary Dole agreed to reconsider the possibility of a supplemental for this program. I won't belabor this issue, but I would like to express my concern for the situation facing the States. To what degree are States supplementing the Federal Unemployment Insurance and Employment Services operations? My State, Ohio, will contribute $25 million to this program over the next 2 years. Ohio has had to add a surtax on employers on top of the Federal tax they already pay.

Mr. Jones: The Department does not collect information on the extent to which States supplement the Federal dollars for employment security programs. However, ICESA conducted a survey in 1989 and reported that States reported supplementing their employment security programs (UI, ES, and LMI) with $137.7 million in State dollars. These funds came from a variety of sources: Penalty and Interest funds (over half the total from this source), State grants, administrative taxes, and other sources.

ADMINISTRATIVE FINANCING

Mr. Stokes: Does the Administration believe that the current unemployment insurance administrative financing system needs to be improved?

Mr. Jones: Yes, the Administration agrees that the UI administrative financing system needs to be improved. The Department has been working on ways to improve the system since the mid 1980s. In 1985, we began an effort to simplify the funding formula and give States more authority and flexibility over the funds. In 1987, the Reagan Administration proposed legislation for long-term decentralization of administrative financing as part of the "Trade, Employment and Productivity Act". No Congressional action was taken on this proposal. We are currently seeking comments from States on a recent study by Abt Associates that developed options for budget formulation and allocation within the existing legislative authority. A broader range of options will be made available for public comment through a notice in the Federal Register at a later date. Our minimum base staffing report to Congress, due June 1990, will also shed additional light on this subject. Finally, this Administration supports the provision in HR 3896 that requires the Department to submit a report to Congress by October 1, 1991, with recommendations for improving the allocation formula.

JUSTIFICATION OF THE BUDGET ESTIMATES

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

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EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

For payments during the current fiscal year of benefits and payments as authorized by title II of Public Law 95-250, as amended, and of trade adjustment benefit payments and allowances under part I, and for training, for allowances for job search and relocation, and for related *State*[1/] administrative expenses under part II, subchapter B, chapter 2, title II of the Trade Act of 1974, as amended, [$284,000,000,] *$230,500,000,* together with such amounts as may be necessary to be charged to the subsequent appropriation for payments for any period subsequent to September 15 of the current year: *Provided,* That amounts received or recovered pursuant to section 208(e) of Public Law 95-250 shall be available for payments. *[Department of Labor Appropriations Act, 1990.]*

Explanation of Language Change

1/ This change is made to clarify that this account only finances State administrative costs associated with training, job search allowances and job relocation allowances. Federal administrative costs for these activities are included in the Program Administration account.

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ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
"...together with such amounts as may be necessary to be charged to the subsequent appropriation for payments for any period subsequent to September 15 of the current year..."	This provision gives limited flexibility to use funds appropriated for the next fiscal year in the current year if Federal claims for benefits exceed anticipated levels.
"...amounts received or recovered pursuant to section 208(e) of Public Law 95-250 shall be available for payments.	This language permits the monies returned or recovered to be added to budget year availability for payment of benefits.

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable	1990	1991
Appropriation	$224,648,000	$284,000,000	$230,500,000
Reduction pursuant to P.L. 99-177	---	-3,976,000	---
A. Subtotal, appropriation	224,648,000	280,024,000	230,500,000
Comparative transfer from:			
Training and Employment Services	45,352,000	---	---
Subtotal, appropriation (adjusted)	270,000,000	280,024,000	230,500,000
B. Total Available Budget Authority	270,000,000	280,024,000	230,500,000
Unobligated balance lapsing	-72,812,000	-45,144,000	---
C. Total, estimated obligations	197,188,000	234,880,000	230,500,000

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SUMMARY OF CHANGES

Budget Authority:	1990	1991	Net Change
General Funds	$280,024,000	$230,500,000	-$49,524,000

Explanation of Change:	General Funds
Decreases:	
Built-In:	
To reflect a decrease in benefits paid for Trade adjustment assistance	-$41,644,000
To reflect a decrease in training paid for Trade adjustment assistance	-7,880,000
Total Decrease	-49,524,000
Total Change	-49,524,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable 1/	1990 Appropriation	1990 Estimate 2/	1991 Estimate	Change
Budget Authority applied to General Funds:					
1. Trade adjustment assistance benefits.........	$188,000,000	$204,000,000	$200,644,000	$159,000,000	-$41,644,000
2. Trade adjustment assistance training.......	80,000,000	80,000,000	78,880,000	71,000,000	-7,880,000
3. Unemployment assistance and payments under other Federal unemployment programs........	2,000,000	—	3/ 500,000	4/ 500,000	—
Total Budget Authority.......	270,000,000	284,000,000	280,024,000	230,500,000	-49,524,000

1/ Included in 1989 Comparable:
Comparative transfer from
Training and Employment Services:
Appropriation................................ $45,352,000

2/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177........... -$3,976,000

3/ No specific amount was requested to pay benefits under this activity. However, the Congress provided authority to obligate funds for Redwood National Park Amendments benefits and allowances, as shown here, in the 1990 Appropriation Act.

4/ The funds for this activity were included with trade adjustment benefits in the 1991 President's Budget. Funds for this activity (benefits and allowances provided under the Redwood National Park Act Amendments of 1978) will be required for the forseeable future.

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 1/ Estimate	1991 Estimate	Change
Communications, utilities, and other rent..............	$107,800	$106,300	$95,700	-$10,600
Grants, subsidies and contributions...............	283,892,200	279,917,700	230,404,300	-49,513,400
Total, budget authority by object....................	284,000,000	280,024,000	230,500,000	-49,524,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177.............. -$3,976,000

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item

1990 House Report (No. 101-172)

No specific actions recommended.

1990 Senate Report (No. 101-127)

No specific actions recommended.

1990 Conference Report (No. 101-274)

No specific actions recommended.

AMOUNTS IN AUTHORIZING LEGISLATION

	Budget Request	
	1990	1991
Legislation		
Authorizing legislation containing indefinite authority		
Part I, Subchapter B, Chapter 2, Title II, of the Trade Act of 1974, as amended (19 U.S.C. 2101)	$200,644,000	$159,000,000
Part II, Subchapter B, Chapter 2, Title II, of the Trade Act of 1974, as amended (19 U.S.C. 2101)	78,880,000	71,000,000
Title II of P.L. 95-250 (The Redwood National Park amendments)	500,000[1/]	500,000[2/]

[1/] No specific amount was requested to pay benefits under this program. However, the Congress provided authority to obligate funds for the benefits and allowances provided by this program, in the 1990 Appropriation language.

[2/] Funds for this program were included with the trade adjustment benefits in the 1991 President's Budget.

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981.............	$1,260,000,000	$1,260,000,000	1/	$1,875,060,000
1982.............	306,000,000	306,000,000	$306,000,000	306,000,000
1983.............	35,000,000	35,000,000	280,000,000	230,000,000
1984.............	7,000,000	7,000,000	12,000,000	12,000,000
1985.............	56,000,000	56,000,000	75,000,000	75,000,000
1986.............	10,000,000	10,000,000	10,000,000	10,000,000
1987.............	4,000,000	118,000,000	118,000,000	118,000,000
1988.............	141,000,000	141,000,000	141,000,000	141,000,000
1989.............	224,648,000	224,648,000	224,648,000	224,648,000
1990.............	284,000,000	284,000,000	284,000,000	284,000,000
Reduction pursuant to P.L. 99-177..	---	---	---	-3,976,000
1991.............	230,500,000			

1/ Not considered.

EMPLOYMENT AND TRAINING ADMINISTRATION

FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

JUSTIFICATION

	1990 Appropriation	1990 1/ Estimate	Difference App/Estimate	1991 Estimate	Difference 1990/1991
Trade adjustment assistance benefits...........	$204,000,000	$200,644,000	-$3,356,000	$159,000,000	-$41,644,000
Trade adjustment assistance training...........	80,000,000	78,880,000	-1,120,000	71,000,000	-7,880,000
Unemployment assistance and payments under other Federal unemployment programs...........	—	2/ 500,000	+500,000	3/ 500,000	—
Total Budget Authority..........	284,000,000	280,024,000	-3,976,000	230,500,000	-49,524,000

1/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177............. -$3,976,000

2/ No specific amount was requested to pay benefits under this activity. However, the Congress provided authority to obligate funds for Redwood National Park Amendments benefits and allowances, as shown here, in the 1990 Appropriation Act.

3/ The funds for this activity were included with trade adjustment benefits in the 1991 President's Budget. Funds for this Activity (benefits and allowances provided under the Redwood National Park Act Amendments of 1978) will be required for the forseeable future.

General Statement

The request provides for the payment of Trade adjustment assistance benefits, training and allowances to workers adversely affected by increased imports, and for benefits paid under the Redwood National Park amendments of 1978.

The 1988 amendments to the Trade Act of 1974, contained in the Omnibus Trade and Competitiveness Act of 1988, established trade training as an entitlement for workers adversely affected by imports; thus, all trade entitlement funds are included in this account. For 1991, legislation will be proposed to repeal the Trade Adjustment Assistance program. Workers adversely affected by imports will receive services through the Economic Dislocation and Worker Adjustment Assistance program under the new Worker Readjustment account.

TRADE ADJUSTMENT ASSISTANCE BENEFITS

JUSTIFICATION

1990 Appropriation	1990 1/ Estimate	Difference App/Estimate	1991 Estimate	Difference 1990/1991
$204,000,000	$200,644,000	-$3,356,000	$159,000,000	-$41,644,000

1/ Included in 1990 Estimated above:
Reduction pursuant to P.L. 99-177..............$2,856,000

Amount to be used to finance
Redwood program costs.......................... $500,000

Introduction

This activity provides for weekly adjustment benefit payments to workers partially or totally separated from firms which make products or provide services affected by imports. Adjustment payments are authorized under Part I, Subchapter B, Chapter 2, Title II of the Trade Act of 1974, as amended. Federal administrative costs relating to benefit payments are included in the Program Administration budget of the Employment and Training Administration. State administrative costs for benefit payments are included in the State Unemployment Insurance and Employment Service Operations budget.

Federal funds are allocated to the States which act as agents for the Federal Government. Funds are provided to States through notices of Obligational Authority based on estimates of benefits to be paid. States then draw the funds, as needed, from the U.S. Treasury using the "Letter of Credit" system.

1991 Budget Request

Under the revised Trade Act of 1974, it is estimated that approximately 52,000 workers will be certified under the Trade Adjustment Assistance (TAA) program. Of the total certified, approximately 27,600 will receive weekly trade adjustment assistance benefits. A total of 12,100 workers will receive waivers from enrollment in training and will receive an average of 27 weeks of benefits at an average weekly benefit amount of $197. Another 15,400 workers participating in training programs will receive an average of 31 weeks of benefits at the average weekly benefit amount of $197. Legislation will be proposed to repeal the trade adjustment assistance program, effective October 1, 1990.

1990

It is estimated that of the $200,644,000 available for benefits, $155,500,000 will be paid for trade adjustment assistance benefits to 28,600 workers. A total of 12,600 workers will receive $63,200,000 in benefits while on waiver from training; and 16,000 workers will receive $92,300,000 in benefits while enrolled in training.

1989

It is estimated that benefit payments totaling $132,942,000 were paid to an estimated 23,700 workers adversely affected by imports.

Changes for 1991

Activity Changes

Built-In:

Decrease in amount required for benefits for trade adjustment assistance	-$41,644,000

TRADE ADJUSTMENT ASSISTANCE TRAINING

JUSTIFICATION

1990 Appropriation	1990 Estimate	Difference App/Estimate	1991 Estimate	Difference 1990/1991
$80,000,000	$78,880,000	-$1,120,000	$71,000,000	-$7,880,000

1/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177.............$1,120,000

Introduction

This activity provides funds for training, job search allowances, and job relocation allowances to workers certified by the Department as adversely affected by trade imports. The 1988 amendments to the Trade Act of 1974 contained in the Omnibus Trade and Competitiveness Act of 1988 make training an entitlement for eligible workers but cap the annual costs of training at $80 million. The States, acting as agents for the Department of Labor, administer this activity. The State administrative costs for training, job search and relocation are included in this account.

1991 Budget Request

The 1991 budget requests $71,000,000 to provide services to workers adversely impacted by trade imports. In FY 1991 it is estimated that 21,800 workers will receive services funded by this activity: 17,500 enrolled in classroom training; 1,800 workers in on-the-job training; and 2,500 workers will receive job search and job relocation allowances. Legislation will be proposed to repeal the Trade Adjustment Assistance program, as eligible workers will receive training, job service, and relocation services under the new Worker Readjustment account.

1990

The 1990 appropriation for this activity provides budget authority of $78,880,000. It is estimated that 22,600 workers will be provided training, job search and relocation assistance services.

1989

A total of $80,000,000 was appropriated in this fiscal year. Of that amount, $47,870,000 was appropriated in the Training and Employment Services account for which $2,518,000 was used in meeting 1988 needs, pursuant to authorizing legislation contained in the Omnibus Trade and Competitiveness Act of 1988. Additionally, $34,648,000 was appropriated in the Federal Unemployment Benefits and Allowances account.

Changes for 1991

Activity Changes

Built-In:

Decrease in amount required for training, job search allowances and job relocation allowances	-$7,880,000

UNEMPLOYMENT ASSISTANCE AND PAYMENTS UNDER OTHER FEDERAL UNEMPLOYMENT PROGRAMS

JUSTIFICATION

1990 Appropriation	1990 1/ Estimate	Difference App/Estimate	1991 2/ Estimate	Difference 1990/1991
---	$500,000	+$500,000	$500,000	---

1/ No specific amount was requested to pay benefits under this activity. However, the Congress provided authority to obligate funds for Redwood National Park Amendments benefits and allowances, as shown here, in the 1990 Appropriation Act.

2/ The funds for this activity were included with trade adjustment benefits in the 1991 President's Budget. Funds for this activity (benefits and allowances provided under the Redwood National Park Act Amendments of 1978) will be required for the forseeable future.

Introduction

This activity provides for benefits paid under the Redwood National Park amendments of 1978. These include layoff, severance and vacation replacement benefits, and entitlement to health, welfare and pension benefits to individuals who were deemed to be deprived of employment as a result of this legislation.

Entitlement to unemployment compensation benefits under this act expired September 30, 1989. However, eligibility for health and pension benefits for eligible workers will continue for a number of years.

1991 Budget Request

Funding is being requested in FY 1991 to cover the cost of health and pension benefits for individuals covered under the Redwood National Park amendments. The estimated cost in FY 1991 is $500,000. It is estimated that this amount will be required annually for the forseeable future.

1990

It is estimated that approximately $500,000 will be paid for health and pension benefits for individuals covered under the Redwood National Park amendments. Although no specific funding was requested for the program in 1990, unneeded trade benefit funds will be used to fund this activity.

1989

Benefits and other payments totaling $1,608,000 were paid on behalf of individuals covered under the Redwood National Park amendments. Entitlement to unemployment compensation benefits under this program expired on September 30, 1989.

Changes for 1991

Activity Changes: None

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

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EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND
EMPLOYMENT SERVICE OPERATIONS

For activities authorized by the Act of June 6, 1933, as amended (29 U.S.C. 49-491-1; 39 U.S.C. 3202(a)(1)(E)); title III of the Social Security Act, as amended (42 U.S.C. 502-504); necessary administrative expenses for carrying out 5 U.S.C. 8501-8523, and sections 225, 231-235 and 243-244, title II of the Trade Act of 1974, as amended; as authorized by section 7c of the Act of June 6, 1933, as amended, necessary administrative expenses under sections 101(a)(15)(H)(ii), 212(a)(14), and 216(g) (1), (2), and (3) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101 et seq.) [; and necessary administrative expenses to carry out the Targeted Jobs Tax Credit Program under section 51 of the Internal Revenue Code of 1986, $22,000,000[1/]], *$23,100,000*, together with not to exceed [$2,575,200,000] *$2,676,300,000* (including not to exceed [$3,000,000] *$2,000,000* which may be used for amortization payments to States which had independent retirement plans in their State employment service agencies prior to 1980), which may be expended from the Employment Security Administration account in the Unemployment Trust Fund, and of which the sums available in the basic allocation for activities authorized by title III of the Social Security Act, as amended (42 U.S.C. 502-504), and the sums available in the basic allocation for necessary administrative expenses for carrying out 5 U.S.C. 8501-8523, shall be available for obligation by the States through December 31, [1990, and of which $19,148,000 of the amount which may be expended from said trust fund shall be available for obligation for the period April 1, 1990, through December 31, 1990, for automation of the State activities under title III of the Social Security Act, as amended (42 U.S.C. 502-504 and 5 U.S.C. 8501-8523),[2/]] *1991*, and of which [$20,800,000] *$21,700,000* together with not to exceed [$768,900,000] *$700,900,000* of the amount which may be expended from said trust fund shall be available for obligation for the period July 1, [1990] *1991*, through June 30, [1991] *1992*, to fund activities under section 6 of the Act of June 6, 1933, as amended, including the cost of penalty mail made available to States in lieu of allotments for such purpose, [and of which $12,500,000 of the amount which may be expended from said trust fund shall be available for obligation for the period October 1, 1990, through June 30, 1991, for automation of the State activities under section 6 of the Act of June 6, 1933, as amended,][3] and of which [$193,468,000] *$281,219,000* shall be available only to the extent necessary to administer unemployment compensation laws to meet increased costs of administration resulting from changes in a State law or increases in the number of unemployment insurance claims filed and claims paid or increased salary costs resulting from changes in State salary compensation plans embracing employees of the State generally over those upon which the States' basic allocation was based, which cannot be provided for by normal budgetary adjustments based on State obligations as of December 31, [1990] *1991*. (*Department of Labor Appropriations Act, 1990.*)

Explanation of Language Change

1/ No funds are requested for the Targeted Jobs Tax Credit (TJTC) program which expires September 30, 1990. States may use Wagner-Peyser funds under Section 6 of the Wagner-Peyser Act for any TJTC costs incurred subsequent to September 30.

2/ This change is made in order to permit the obligation of Unemployment Insurance automation funds as early in the fiscal year as possible.

3/ No funds are requested for 1991 for Employment Service automation. Funds appropriated in 1990 (P.L. 101-166) are available for obligation in 1991.

ANALYSIS OF APPROPRIATION LANGUAGE

"...as authorized by section 7c of the Act of June 6, 1933, as amended, necessary administrative expenses under sections 101(a)(15)(H)(ii), 212(a)(14), and 216(g) (1), (2), and (3) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101 et seq.)..."	Section 7c allows trust fund financing of immigration activities.
"...(including not to exceed *$2,000,000* which may be used for amortization payments to States which had independent retirement plans in their State employment service agencies prior to 1980)..."	This provision authorizes payments up to $2,000,000 to certain specified States to fund the annual amortization costs of independent retirement plans of State employment service agencies.
"...and of which the sums available in the basic allocation for activities authorized by title III of the Social Security Act, as amended (42 U.S.C. 502-504), and the sums available in the basic allocation for necessary administrative expenses for carrying out 5 U.S.C. 8501-8523, shall be available for obligation by the States through December 31, *1991*..."	This provision authorizes States to carry forward unobligated base UI funds as of September 30 of the fiscal year for obligation in the first quarter of the subsequent fiscal year.
"...shall be available for obligation for the period July 1, *1991*, through June 30, *1992*..."	This provision makes funds for section 6 allotments to States available on a program year basis running from July 1 through June 30 of the following year as established under the authorizing legislation.
"...including the cost of penalty mail made available to States in lieu of allotments for such purpose..."	This provision makes funds from section 6 allotments to States available to the Department to pay the cost of penalty mail directly to the U.S. Postal Service.
"...and of which *$281,219,000* shall be available only to the extent necessary to administer unemployment compensation laws to meet increased costs of administration resulting from changes in a State law or increases in the number of unemployment insurance claims filed and claims paid or increased salary costs resulting from changes in State salary compensation plans embracing employees of the State generally over those upon which the State's basic allocation was based..."	This language establishes a Contingency Fund to provide resources to meet certain defined costs relating to the administration of unempoyment compensation laws.

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AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable	1990	1991
A. Appropriation....................	$22,559,000	$22,000,000	$23,100,000
Offsetting collections from:			
Trust funds.........................	2,449,956,000	2,527,166,000[1]	2,688,800,000[2]
B. Total Available Budget Authority and Trust Funds.......	2,472,515,000	2,549,166,000	2,711,900,000
Unobligated trust fund, start of year............................	+537,348,000	+556,710,000	+568,679,000
Unobligated trust fund, end of year............................	-556,710,000	-568,679,000	-525,675,000
Unobligated general revenue funds, start of year.......................	+16,300,000	+16,104,000	+15,600,000
Unobligated general revenue funds, end of year.........................	-16,104,000	-15,600,000	-16,275,000
C. Total, estimated obligations......	2,453,349,000	2,537,701,000	2,754,229,000[2]

1/ This amount is the result of a reduction of $35,534,000 in trust funds pursuant to P.L. 100-177.

2/ These amounts include $12,500,000 of trust funds appropriated in 1990 (P.L. 101-166) for Employment Service automation for obligation in Fiscal Year 1991.

SUMMARY OF CHANGES

Budget Authority:	1990	1991	Net Change
General Funds	$22,000,000	$23,100,000	+$1,100,000
Trust Funds	2,527,166,000	2,688,800,000	+161,634,000
Total 1/	2,549,166,000	2,711,900,000	+162,734,000

1/ 1990 Trust Funds excludes, and 1991 includes, $12,500,000 appropriated in 1990 (P.L. 101-166). These funds are authorized for obligation in 1991 for automation of Employment Service activities.

Explanation of Change:	Trust Funds	General Funds	Total
Increases:			
A. Built-In:			
To provide for an increase in unemployment compensation salary and benefit costs	+$100,421,000	---	+$100,421,000
To provide for an increase in unemployment compensation non-personal services costs	+10,602,000	---	+10,602,000
To provide for an inflation increase for employment service National activities	+1,674,000	+$50,000	+1,724,000
To provide for increased unemployment insurance workload resulting from normal growth of the covered work force and the number of subject employers	+15,475,000	---	+15,475,000
To provide for a net increase in unemployment compensation workload due to economic assumptions	+78,671,000		+78,671,000
Subtotal	+206,843,000	+50,000	+206,893,000

SUMMARY OF CHANGES (Continued)

	Trust Funds	General Funds	Total
B. Program:			
To reflect an increase in employment service National activities for Automation Grants for funds appropriated in 1990 but not available for obligation until 1991 (1990 Base: Trust Funds $67,452,000; General Funds $1,200,000).....	+12,500,000	---	+12,500,000
To provide for an increase in employment service National activities for the upgrade of the General Aptitude Test Battery (1990 Base: Trust Funds $67,452,000; General Funds $1,200,000)..................	+970,000	+30,000	+1,000,000
To provide for increased costs of employment service National activities (1990 Base: Trust Funds $67,452,000; General Funds $1,200,000).............	+615,000	+20,000	+635,000
To provide for an increase in unemployment compensation National activities for the interstate communications satellite network (1990 Base: Trust Funds $5,917,000)..................	+200,000	---	+200,000
To provide for an increase in unemployment compensation State Integrity activities for the eligibility review and benefit payment control programs (1990 Base: Trust Funds $247,517,000).................	+24,593,000	---	+24,593,000
To provide for an increase in unemployment compensation State Operations activities for the Systematic Alien Verification Eligibility (SAVE) program (1990 Base: Trust Funds $1,257,256,000).........	+3,000,000	---	+3,000,000

SUMMARY OF CHANGES (Continued)

	Trust Funds	General Funds	Total
Subtotal	+41,878,000	+50,000	+41,928,000
C. Financing:			
To provide for employment service trust fund financing consistent with Section 901 of the Social Security Act	---	+1,000,000	+1,000,000
Total Increase	+248,721,000	+1,100,000	+249,821,000
Decreases:			
A. Built-In:			
To reflect a decrease in unemployment compensation funding resulting from additional savings generated by automation	-4,037,000	---	-4,037,000
Subtotal	-4,037,000	---	-4,037,000
B. Program:			
To reflect a decrease in employment service National activities for employment service retirement systems due to reduced costs of the plans (1990 Base: Trust Funds $67,452,000 General Funds $1,200,000)	-958,000	---	-958,000
To reflect a decrease in employment service National activities for the Targeted Jobs Tax Credit program (1990 Base: Trust Funds $67,452,000; General Funds $1,200,000)	-24,653,000	---	-24,653,000
To reflect a decrease in the employment service Allotment to States program (1990 Base: Trust Funds $758,239,000); General Funds $20,800,000)	-56,439,000	---	-56,439,000
Subtotal	-82,050,000	---	-82,050,000
C. Financing:			
To provide for employment service trust fund financing consistent with Section 901 of the Social Security Act	-1,000,000	---	-1,000,000
Total Decrease	-87,087,000	---	-87,087,000
Total Change	+161,634,000	+1,100,000	+162,734,000

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BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable	1990 Appropriation	1990 Estimate 2/	1991 Estimate	Change
Budget Authority applied to General Funds:					
1. Employment service:					
a. Allotment to States.	$21,472,000	$20,800,000	$20,800,000	$21,700,000	+$900,000
b. National activities.	1,087,000	1,200,000	1,200,000	1,400,000	+200,000
Subtotal..............	22,559,000	22,000,000	22,000,000	23,100,000	+1,100,000
Budget Authority applied to Trust Funds:					
1. Unemployment compensation:					
a. State operations....	1,247,559,000 1/	1,274,935,000	1,257,256,000	1,357,695,000	+100,439,000
b. State integrity activities.........	251,532,000	250,997,000	247,517,000	285,120,000	+37,603,000
c. National activities.	4,286,000	6,000,000	5,917,000	6,366,000	+449,000
d. Contingency.........	152,625,000	193,468,000	190,785,000	281,219,000	+90,434,000
2. Employment service:					
a. Allotment to States..	742,280,000	768,900,000	758,239,000	700,900,000	-57,339,000
b. National activities..	51,674,000	80,900,000	67,452,000 3/	57,500,000 3/	-9,952,000
Subtotal...............	2,449,956,000	2,575,200,000	2,527,166,000	2,688,800,000	+161,634,000
Total Budget Authority by Activity:					
1. Unemployment compensation:					
a. State operations....	1,247,559,000	1,274,935,000	1,257,256,000	1,357,695,000	+100,439,000
b. State integrity activities.........	251,532,000	250,997,000	247,517,000	285,120,000	+37,603,000
c. National activities.	4,286,000	6,000,000	5,917,000	6,366,000	+449,000
d. Contingency.........	152,625,000	193,468,000	190,785,000	281,219,000	+90,434,000
2. Employment service:					
a. Allotment to States..	763,752,000	789,700,000	779,039,000	722,600,000	-56,439,000
b. National activities..	52,761,000	82,100,000	68,652,000	58,900,000	-9,752,000
Total Budget Authority..	2,472,515,000	2,597,200,000	2,549,166,000	2,711,900,000	+162,734,000

1/ Reflects $6,747,000 increase as a result of a reprogramming of $5,743,000 from UI National Activities and $1,004,000 from ES National Activities.

2/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177........-$35,534,000

3/ Included in 1991 estimate is $12,500,000 appropriated for Employment Service automation in 1990 (P.L. 101-166) but authorized for obligation in 1991.

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate 1/	1991 Estimate	Change
Communications, utilities, and other rent	$91,771,000	$93,994,000	$97,137,000	+$3,143,000
Grants, subsidies and contributions	2,505,429,000	2,455,172,000	2/ 2,614,763,000	2/ +159,591,000
Total, budget authority by object	2,597,200,000	2,549,166,000	2,711,900,000	+162,734,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177 .... -$35,534,000

2/ Included in 1991 estimate is $12,500,000 appropriated for Employment Service automation in 1990 (P.L. 101-166) but authorized for obligation in 1991.

SUIESO-10

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to be Taken
1990 House Report (No. 101-172)	
Targeted Jobs Tax Credit Program.	
"The Department of Labor should examine the operation of TJTC in the States with a view toward reducing the costs of administering it. The Department should make recommendations to the States concerning streamlining the program and reducing the costs of administration."	In July of 1989 the Department of Labor disseminated information to the State agencies on 20 practices and techniques for TJTC operations that are cost efficient, and urged their consideration. These practices and techniques include methods of streamlining SESA administration and automation of TJTC processes. In addition, proposals for an ETA research contract to analyze TJTC policies and operations have been received. The Department has also provided information to assist with a GAO study of the administration and effectiveness of the TJTC program. If appropriate, the results of these studies, which might include improvements, will be made available for SESA implementation.
1990 Senate Report (No. 101-127)	
Unemployment Insurance Base Allocations.	
"The Committee is aware that there is concern about the base staff level for unemployment insurance, which has been reduced as the number of claims for unemployment benefits has declined in recent years. The Committee directs the Department of Labor to examine this issue and provide to the Committee a report by June 30, 1990, with its findings and any proposed changes in allocation strategies which recognize the needs of all States to maintain a core of trained professional staff to administer the program. Particular emphasis should be given to the needs of States which have fewer options in the face of declining workload and severe reductions in Federal funding."	The Department is examining past and current methodology of UI allocations in light of declining workload in recent years. The Department will explore alternative approaches of allocation to provide for the "proper and efficient administration" by the States, within available resources. A report will be sent to the Congress by June 30, 1990.
1990 Conference Report (No. 101-274)	
No specific actions recommended.	

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request 1990	Budget Request 1991
Authorizing legislation containing indefinite authority		
Title III of the Social Security Act, as amended (42 U.S.C. 502-504)	$1,679,090,000	$1,910,109,000
5 U.S.C. 8501-8523, as amended (State administrative expenses for Federal programs)	12,752,000	13,600,000
Sections 225, 231-235 and 243-244, Title II, of the Trade Act of 1974, amended (19 U.S.C. 2101)	9,633,000	6,691,000
The Wagner-Peyser Act of 1933, as amended (29 U.S.C. 49-491-1)		
Section 6	779,039,000	722,600,000
Section 7	68,652,000	1/ 58,900,000
Sections 101(a)(15)(H)(ii), 212(a)(14), and 216(g) (1), (2), and (3) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101 et seq.)	(32,515,000)	(34,384,000)
Internal Revenue Code of 1986, as amended (26 U.S.C. 51)	(24,653,000)	(---) 2/

1/ Funds ($12,500,000) for automation of Employment Service activities were appropriated in 1990 (P.L. 101-166) for obligation in 1991.

2/ The Targeted Jobs Tax Credit provision of the Internal Revenue Code expires September 30, 1990.

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowances	Senate Allowances	Appropriation
1981.............	$2,156,800,000	$2,156,800,000	---	$2,027,910,000
1982.............	2,276,146,000	2,632,690,000	$2,539,690,000	2,296,146,000
1983.............	2,621,500,000	2,677,200,000	2,752,600,000	2,752,600,000
1984.............	2,747,200,000	3,310,600,000	3,340,300,000	3,340,300,000
1985.............	2,446,098,000	2,414,298,000	2,449,865,000	2,430,565,000
1986.............	2,428,040,000	2,483,540,000	2,469,840,000	2,377,107,000 1/
1987.............	2,509,333,000	2,513,233,000	2,365,301,000	2,430,301,000
1988.............	2,363,185,000	2,559,412,000	2,494,212,000	2,455,808,000
1989.............	2,393,694,000	2,495,547,000	2,507,723,000	2,472,515,000 2/
1990.............	2,462,100,000	2,559,700,000	2,609,700,000	2,584,700,000 3/
Reduction pursuant to P.L. 99-177..	---	---	---	-35,534,000
1991.............	2,699,400,000			12,500,000 3/

1/ Reflects $106,633,000 reduction pursuant to P.L. 99-177.

2/ Reflects $30,032,000 across-the-board reduction pursuant to P.L. 100-436.

3/ Funds for automation of Employment Service activities are included in the 1990 appropriation (P.L. 101-166) for obligation in 1991.

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

JUSTIFICATION

	1990 Appropriation	1990 Estimate 1/	Difference App/Estimate	1991 Estimate	Difference 1990/1991
Unemployment compensation:					
a. State operations.....	$1,274,935,000	$1,257,256,000	-$17,679,000	$1,357,695,000	+$100,439,000
b. State integrity activities..........	250,997,000	247,517,000	-3,480,000	285,120,000	+37,603,000
c. National activities..	6,000,000	5,917,000	-83,000	6,366,000	+449,000
d. Contingency..........	193,468,000	190,785,000	-2,683,000	281,219,000	+90,434,000
Employment service:					
a. Allotment to States..	789,700,000	779,039,000	-10,661,000	722,600,000	-56,439,000
b. National activities..	82,100,000	68,652,000	-13,448,000	58,900,000 2/	-9,752,000
Total Budget Authority...	2,597,200,000	2,549,166,000	-48,034,000	2,711,900,000	+162,734,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177.................. -$35,534,000

2/ Included in 1991 estimate is $12,500,000 appropriated for Employment Service automation in 1990 (P.L. 101-166) but authorized for obligation in 1991.

General Statement

The State Unemployment Insurance and Employment Service Operations appropriation provides administrative grants to State agencies which administer Federal and State unemployment compensation laws and operate the public employment service, a national system providing no-fee employment services to individuals who are seeking employment and employers who are seeking workers. The appropriation also provides funding for national activities relating to employment service activities and the Federal-State unemployment insurance programs.

The 1991 request for State Unemployment Insurance Operations provides resources to increase "base" staffyears by 778 above the FY 1990 level. This base staff will process 1.7 million claims a week, the same level as in FY 1990. The increase will provide additional staff for State Integrity activities, for the verification of aliens' eligibility for unemployment compensation and for estimated growth in the covered work force and number of covered employers. Additional contingency staffyears have been requested to process estimated workload above the 1.7 million claim base level. The request also contains an increase for Unemployment Insurance National Activities. The FY 1991 request for UI grants continues the 1.4 percent across-the-board reduction imposed in the FY 1990 appropriation. Thus States will have to continue to finance 1.4 percent of program costs themselves in FY 1991, or achieve other economies. The increase from 1990 is $228,925,000, reflecting net built-in increases of $201,132,000 and net program increases of $27,793,000.

The 1991 request for Employment Service Allotment to States represents a decrease of $56,439,000 from 1990. This reduction, due to the pressing need for additional resources in other Federal program areas, will require States to refocus their efforts to more efficiently provide services to the public. States will continue to coordinate program services and establish linkages with other employment and training programs. For Employment Service National Activities, no funding for the Targeted Jobs Tax Credit program is requested since program authorization expires September 30, 1990, and any 1991 costs incurred could be funded from Employment Service funds. An increase of $1,000,000 is included for improvement to the General Aptitude Test Battery used by State agencies. A $1,000,000 reduction is also included for amortization payments to four States with independent retirement plans, as a result of reduced costs of these plans. Funds appropriated in 1990 for automation of Employment Service activities are reflected in the 1991 estimates because the funds ($12,500,000) do not become available for obligation until 1991, pursuant to P.L. 101-166.

UNEMPLOYMENT COMPENSATION

JUSTIFICATION

	1990 Appropriation	1990 Estimate 1/	Difference App/Estimate	1991 Estimate	Difference 1990/1991
a. State operations.....	$1,274,935,000	$1,257,256,000	-$17,679,000	$1,357,695,000	+$100,439,000
b. State integrity activities..........	250,997,000	247,517,000	-3,480,000	285,120,000	+37,603,000
c. National activities..	6,000,000	5,917,000	-83,000	6,366,000	+449,000
d. Contingency..........	193,468,000	190,785,000	-2,683,000	281,219,000	+90,434,000
Total Budget Authority...	1,725,400,000	1,701,475,000	-23,925,000	1,930,400,000	+228,925,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177.................. -$23,925,000

Introduction

This activity provides for the administration of the State unemployment compensation programs which have been enacted pursuant to the Federal Unemployment Tax Act (Chapter 23, Internal Revenue Code) and Title III of the Social Security Act. The unemployment compensation program operates through a Federal-State cooperative relationship in which the Federal responsibilities include allocating available funds among the States, establishing performance measures, monitoring State performance, ensuring conformity and compliance of State laws and operations with Federal law, and setting broad overall policy for administration of the program. States are responsible for establishing specific detailed policy and operating methods which conform with Federal laws and regulations, and administering the direct operation of the program in accordance with these requirements.

The major functions performed by the States are the collection of State taxes from employers, the determination of benefit entitlement, and the payment of benefits. The States also administer Federally-enacted programs for payments of unemployment compensation to former Federal personnel (military and civilian), to claimants who have exhausted their eligibility under the regular State Unemployment Insurance (UI) program and qualify for extended benefits, and to workers certified under the Trade Adjustment Assistance program. States also pay compensation to individuals whose unemployment is caused by natural disasters such as hurricanes, earthquakes, floods, and tornados, from funds reimbursed by the Federal Emergency Management Agency.

Administrative funds are issued to the States for the costs of processing estimated unemployment workloads based on economic assumptions and all of the necessary related activities. Funding is based on the cost of proper and efficient administration and such other factors as the Secretary of Labor deems appropriate, including any adjustments necessary to fit the level of appropriated funds. The States submit Program Budget Plans which must be approved by the Secretary of Labor, and which contain the States' assurances and plans for administering the program at an acceptable level of quality.

The request for unemployment compensation consists of four sub-activities: State operations, State integrity activities, national activities and contingency.

State Operations

This sub-activity provides administrative grants to State agencies which pay unemployment compensation to eligible workers and collect State unemployment taxes from employers. States are also responsible for establishing specific, detailed policy which conforms with Federal laws and regulations. Grants are also provided to upgrade State automated systems for benefit payments and for the collection of taxes.

State Integrity Activities

This sub-activity supports efforts to improve the program integrity and financial stability of the UI program through the Quality Control (QC) system and continuation of related activities designed to assess and reduce errors in the payment of benefits and collection of revenues. In addition to QC, it incorporates ongoing efforts in Benefit Payment Control (BPC), the Eligibility Review Program (ERP), Internal Security, and Tax Field Audits. This sub-activity provides a comprehensive approach to the prevention, detection, and collection of overpayments; the enhancement and improvement of tax collections; and the prevention of fraud, waste, and abuse.

National Activities

This sub-activity identifies funds to be utilized for activities that benefit the Federal-State system as a whole, that are interstate or multi-state in nature, or that are more efficiently and effectively performed on a consolidated rather than a fragmented basis. Typically, the performance of these activities will benefit more than just the State performing the work and, therefore, it is not appropriately attributable to the administrative costs of an individual State.

Contingency

The Contingency fund provides funds to meet increases in the costs of administering unemployment compensation laws resulting from changes in State law, increases in the number of unemployment compensation claims, or increased costs resulting from changes in State personnel compensation plans over those upon which the State's basic allocation was based.

1991 Budget Request

Total unemployment is expected to average 5.4 percent during 1991, with insured unemployment at 2.1 percent. The State agencies are expected to collect $16,294,000,000 in State taxes and pay $16,931,000,000 in benefits to an average of 2.0 million total beneficiaries per week under Federal and State regular and extended compensation programs. This includes individuals covered by State Unemployment Compensation (UC) laws, former Federal military and civilian personnel, recipients of Federal State extended benefits, and workers adversely affected by foreign trade agreements.

The FY 1991 request for Unemployment Insurance Grants to States retains base staffing sufficient to process 1.7 million claims a week. In the FY 1991 request, the addition of base staff to provide an increase in State Integrity activities and to verify aliens' eligibility for unemployment compensation as well as to cover normal growth in the workforce and number of covered employers results in an increase of 778 base staffyears, from a level of 35,697 in FY 1990 to 36,475 in FY 1991.

Resources for contingency staff were also increased in FY 1991 to process those claims above the 1.7 million "base" level. For FY 1991, the number of contingency staffyears requested is 5,547, an increase of 1,997 over the FY 1990 level of 3,550. This increase in contingency positions will provide the States with a larger pool of temporary workers who, once trained, will be available to handle future workload increases.

The FY 1991 request for UI grants continues the 1.4 percent across-the-board reduction imposed in the FY 1990 appropriation. Thus States will have to continue to finance 1.4 percent of program costs themselves in FY 1991, or achieve other economies.

The request for State Operations is $1,357,695,000, an increase of $100,439,000 from 1990. This amount reflects the inclusion of inflation increases, and increases in base staff for normal growth of the covered work force and the number of subject employers. States' base allocations will finance administrative costs associated with base workloads averaging 1.7 million claims per week nationally; administrative costs associated with workloads above the 1.7 million base level will be financed from contingency funds. The request also includes an increase of $3,000,000 for increased base staff for the verification of immigration status of all aliens applying for unemployment compensation, as required by the Immigration Reform and Control Act of 1986.

Because State UI operations are highly amenable to automation, UI administrative operations will continue to emphasize automation to improve program efficiency and reduce the cost of processing UI claims and collecting employer taxes. The request for State operations includes $18,882,000 for State automation grants to be awarded competitively in 1991, the same level as available in 1990. These automation resources will continue to be used to support State automation efforts designed to produce the greatest efficiency in State operations.

States will continue to make increasing use of the automated interstate data exchange system, Internet. All States will participate in the exchange of initial claims and messages as well as the quarterly wage and benefit crossmatches. Additional States will participate in the automated wage transfer component. Additional Internet applications, such as the determination and billing of combined wage claims and the automation of interstate forms and manuals, will be implemented during 1991.

The request for State Integrity activities is $285,120,000. The request reflects an increase of $37,603,000, reflecting inflation and a program increase of $24.6 million for increased base and contingency staff for ERP and BPC activities. The program increase will provide funding for increased frequency of eligibility reviews, and verification of claimants' work search efforts, leading to increased detection of eligibility issues and resulting in fewer benefit overpayments. BPC detection and collection amounts are expected to exceed 1990 projected levels as States are given additional resources and as they amend their laws and refine procedures, based on quality control and other findings.

In 1991, the QC program will complete the testing and analysis of the telephone pilot investigation project and integrate more efficient investigation techniques identified into the ongoing QC program. Strong emphasis will continue to be placed on State analysis of QC data and development of appropriate and cost effective measures designed to reduce UI benefit payment errors and to strengthen program operations.

The request for National Activities is $6,366,000, an increase beyond inflation of $200,000 for the Interstate Communications network. These increased funds for the telecommunications network will reduce long-term costs and allow for faster data transfer as well as accommodate large increases in data volume. The amount requested for National Activities includes $3,713,000 to finance QC revenue pilots, program improvement studies, and QC ADP equipment and $2,653,000 to continue the claims control system and the interstate benefit telecommunications system.

For 1991, the request includes $281,219,000 for contingency funds to finance additional staff to process increases in the number of unemployment compensation claims filed and claims paid over those provided in the States' basic grants, and increased costs of administration resulting from salary increases and State law changes.

UC PROGRAM STATISTICS

	1989 Estimate	1990 1/ Estimate	1991 1/ Estimate
Staffyears......................	40,326	39,247	42,022
Basic Workload (in thousands):			
Employer tax accounts.........	5,588	5,627	5,758
Employee wage items recorded....................	439,365	447,114	458,070
Initial claims taken..........	16,486	18,120	17,892
Eligibility interviews........	7,067	7,711	9,723
Weeks claimed.................	110,602	120,678	116,677
Nonmonetary determinations.............	6,587	6,987	6,844
Appeals.......................	903	958	938
Covered employment............	103,380	105,039	106,528

1/ Estimates include workload that can be financed from contingency funds based on current economic assumptions.

1990

Total unemployment is expected to average 5.4 percent during the year with insured unemployment at 2.2 percent. The State agencies are expected to collect $16,409,000,000 in State taxes and pay $16,652,000,000 to an average of 2.0 million total beneficiaries per week under Federal and State regular and extended compensation programs. This includes individuals covered by the provisions of State unemployment compensation laws, former Federal personnel, recipients of Federal-State extended benefits, workers adversely affected by foreign trade agreements, and those unemployed by the expansion of the Redwood National Park.

Available funding for all UI activities are reduced by 1.4 percent, or $24 million, from the original 1990 budget request to meet deficit reduction goals. In addition, the most recent economic assumptions indicate estimated unemployment levels are an additional 289,000 average weekly insured unemployed above the level used to formulate the 1990 budget and reflected in the enacted appropriation. Both of these factors will demand that basic allocations be reduced and Contingency payment policies modified to achieve savings. The Department will work with States to minimize the adverse impact of these reductions.

The total availability for State Operations is $1,257,256,000. The allocation of State base resources will be based on forecasted State workloads, using the State unemployment data and State salaries, along with productivity factors developed by State work measurement studies several years ago. States' basic allocations will finance administrative costs associated with workloads averaging 1.7 million claims per week nationwide and coordination activities between the Trade benefit program and other worker adjustment programs. Administrative costs associated with workloads above the base level and Trade program unemployment workloads will be financed from contingency funds.

Funds for wage record conversion costs and competitively awarded automation grants total $18,882,000 after the budget reduction. These funds will be provided to States to increase their operational efficiency and reduce the costs of processing UI claims and collecting employer taxes. States will continue to make increasing use of the automated interstate data exchange system, Internet. Fifty-three State agencies will exchange claims and messages as well as quarterly wage and benefit crossmatches. The automated wage transfer application will be installed in 40 States in 1990.

The total availability for State Integrity activities in 1990 is $247,517,000. The QC program will be reduced from a national annual average level of 900 cases investigated by the States, to a level of 819 cases. Twenty States plan to complete program improvement studies to recommend where potential program or systemic gains can be achieved.

For 1990, $5,917,000 is available for National Activities. This amount will finance the administrative costs of the claims control system, the interstate communications system, and Quality Control program pilots, ADP equipment purchases, and program improvement studies. Pilot testing of QC telephone investigation methodology will begin, followed by analysis and evaluation of results. The pilots will be helpful in identifying potential benefits of alternative methodologies for more efficient QC program operations.

For 1990, $190,785,000 is available to fund the contingency functions. During 1990, the 1988 amendments to the Trade program will continue to have considerable impact upon UI program operations. Due to these costs, and because workload levels now projected are higher than the estimates used in formulating and approving the 1990 budget, it is anticipated that available contingency amounts will not fully cover estimated costs and that States may have to utilize State UI penalty and interest balances or other State resources to meet these costs, or experience delays in processing workloads. To the extent possible, the Department, in consultation with the States, will establish policies and priorities to minimize program impact of the shortfall.

1989

Total unemployment averaged 5.2 percent during the year with insured unemployment at 2.1 percent. The State agencies collected $17,292,022,000 in State taxes and paid $13,921,514,000 in benefits to an average of 1.9 million total beneficiaries per week under Federal and State regular and extended unemployment compensation programs. This included individuals covered by the provisions of State unemployment compensation laws, recipients of Federal-State extended benefits, former Federal personnel, workers adversely affected by foreign trade agreements, and those unemployed by the expansion of the Redwood National Park.

The appropriated funds for UI for 1989 reflected a 1.2 percent, or $20 million, reduction in the 1989 budget request. This reduction was applied across all UI activities.

Allocation of State basic resources was based on workload estimates, State salaries, and productivity factors developed by State work measurement studies. The States' basic allocations financed administrative costs associated with workloads averaging 1.8 million claims per week nationwide. Administrative costs associated with workloads above the base level were paid from the contingency fund. The across-the-board budget reduction for 1989 plus the increased postage costs resulting from the April 1988 postal rate increase resulted in reduced allocations to States which affected both State Operations and State Integrity activities. No reductions were made to State allocations for non-personnel services.

Automation of UI operations was continued in order to improve the administration of the program and reduce the cost of processing UI claims and collecting employer taxes. The $18,918,000 used for State automation grants funded 38 proposals from 24 States. Additionally, $17,333,000 of contingency funds was used to fund the automation of wage record conversion activities in five States.

States continued to make increasing use of the automated interstate data exchange system, Internet. The exchange of interstate claims and messages was utilized by fifty-three State agencies. The quarterly wage and benefit crossmatch was utilized by forty-eight States.

During 1989, States operated a QC program for the second full year using the mandated methodology which employs sampling of claims for the purpose of identifying issues within individual State UI programs. States investigated a national annual average of 900 cases. Existing benefit payment control activities continued to be emphasized as a priority operational component.

A total of $4,286,000 was available for National Activities. This amount funded the costs of the claims control system, interstate communications, and State automated data processing equipment for storing and analyzing UI statistical and QC program data. This amount reflects a reduction of $5,743,000 which was reprogrammed to State Operations to fund increased State postage costs.

Contingency funds in the amount of $152,625,000 were used to finance the increased costs resulting from State salary increases, law changes, State wage record conversion activities, verification of alien claimants' status, increases in the number of unemployment compensation claims paid over those provided in the States' basic grants, and increased Trade program activities. Unanticipated cost increases in State postage, implementation of the program to verify alien status of claimants, wage record conversion costs, and increased activity in the Trade program as a result of the Omnibus Trade and Competitiveness Act of 1988 required that funding priorities be established. First priority for contingency resources was given to funding the processing of workload above the base, including alien claimant status verification and Trade workload activities; wage record conversions, and law changes, including enacted pay raises, were the next priority. Because of workload increases toward the end of the year, funds were reimbursed at 93 percent of amounts earned for higher workloads in the fourth quarter.

Changes for 1991

Activity Changes:

Built-in:

State salary and benefits	+$100,421,000
Non-Personnel Services	+10,602,000
Workload increase because of increase in Subject employers and wage record items	+15,475,000
Net workload increase due to economic assumptions	+78,671,000
Automation productivity	-4,037,000
Total Built-in	+201,132,000
Net Program	+27,793,000

UI State Operations Activities

Proposal: To increase funding for the UI State Operations activities for the verification of alien status of claimants.

Rationale: The Immigration Reform and Control Act of 1986 requires verification of an alien's immigration status when processing a claim for UI. The Act also provides that States will be reimbursed for 100 percent of such costs.

Program Effects: States will be provided funding to fulfill this additional Federal requirement.

Base: Estimate: $1,257,256,000

Program Increase: Estimate: +$3,000,000

UI State Integrity Activities

Proposal: To increase UI State Integrity activities for eligibility review and benefit payment control.

Rationale: The Quality Control program has revealed that large numbers of errors are occurring in work search and eligibility determination areas.

Program Effects: Increased funding should lead to increased detection of eligibility issues earlier in the claims process and result in fewer benefit overpayments. Increased BPC resources should result in increased identification of and collection of overpayments.

Base:	Estimate: $247,517,000
Program Increase:	Estimate: +$24,593,000

National Activities

Proposal: To increase National Activities to provide additional funding for the interstate telecommunications network.

Rationale: States increased use of the interstate telecommunications network adds to the workload burden on the telecommunications system, jeopardizing the timely processing of interstate claims.

Program Effects: The increased funding will provide for newer methods of telecommunication, allow faster data transfer, accommodation of large increases in data volume, and the utilization of new applications, reducing long-term costs.

Base:	Estimate: $5,917,000
Program Increase:	Estimate: +$200,000

EMPLOYMENT SERVICE

JUSTIFICATION

	1990 Appropriation	1990 Estimate 1/	Difference App/Estimate	1991 Estimate	Difference 1990/1991
a. Allotment to States.....	$789,700,000	$779,039,000	-$10,661,000	$722,600,000	-$56,439,000
b. National activities.....	82,100,000	68,652,000	-13,448,000	58,900,000 2/	-9,752,000
Total Budget Authority.....	871,800,000	847,691,000	-24,109,000	781,500,000	-66,191,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177..................-$11,609,000

2/ Included in 1991 estimate is $12,500,000 appropriated for Employment Service automation in 1990 (P.L. 101-166) but authorized for obligation in 1991.

Introduction

The public employment service is a nationwide system providing employment services to individuals seeking employment and to employers seeking workers.

Funding is provided to States under a statutory formula based on each State's relative share of the labor force and unemployment. Of the funds allotted by formula, 90 percent are planned for use by the States in response to State identified priorities for persons to be served, the type and level of services offered, and the intra-state allocation of the resources. The remaining ten percent of the formula allocated funds are available to the Governors for performance incentives, services to special target groups, or funding of any extraordinary costs of model projects. Employment Service allotments are provided on a program year basis, July through June. In addition, States receive funds to administer certain Federal responsibilities, including interstate job clearance, alien labor certification and migrant housing inspections. These reimbursable activities are funded on a fiscal year basis.

1991 Budget Request

The total resources requested for allotments to States for Program Year 1991 are $722,600,000. This reduction of $56.4 million below the prior year level is due to the pressing need for additional resources in other Federal program areas and it should not significantly impair State capacity to provide basic services to the public. Departmental efforts to assure the responsiveness of the Employment Service to the emerging needs of the workforce as the year 2000 approaches will be emphasized. A Departmental initiative launched in 1990 to improve the public employment service to make it more responsive to needs of both employers and workers will be fully operational. States will also be encouraged to continue to foster joint program planning and operations with others in the training community in a manner that ensures maximum utilization of scarce resources and melds training and employment programs into a coherent and cohesive delivery system. Efforts to increase assessment activities will continue in order that youth, dislocated workers and others who are at risk can be identified and targeted for intervention services through appropriate human resource agencies and programs in the community.

The following are projected employment service workload measures supported by formula grants:

Wagner-Peyser Program Statistics

	PY 1989	PY 1990	PY 1991
Total Applicants	17,963,000	17,894,000	16,593,000
Job Placements			
Transactions	4,424,000	4,407,000	4,086,000
Individuals	3,203,000	3,191,000	2,959,000

The $58,900,000 request for National Activities includes $46.4 million, a 4.2 percent inflationary increase over the prior year, to finance special Federal responsibilities administered under separate reimbursable agreements with the States to enhance basic labor exchange activities. Authorized under the Wagner-Peyser Act, as amended, Section 7(c), these activities include alien labor certification and migrant housing inspections, test development, occupational analysis activities in support of the Dictionary of Occupational Titles, and maintenance of an interstate job clearance system. This also includes a one time request of $1.0 million to upgrade the General Aptitude Test Battery (GATB), and the funding of four independent State retirement plans in the amount of $2 million, a decrease of $1.0 million reflecting reduced costs. An estimated 6,700 agricultural applications will be processed, the same level as in 1990. Housing inspections are expected to increase from 11,000 to 14,000. An estimated 77,000 non-agricultural applications for temporary and permanent employment will be processed, the same as in FY 1990. Funding for the Targeted Jobs Tax Credit program has not been requested as the program will expire on September 30, 1990.

The 1991 estimates reflect the $12,500,000 appropriated in 1990 for obligation in 1991 to automate ES activities under the Wagner-Peyser Act.

1990

Resources for allotments to States for Program Year 1990 are $779,039,000, an increase of $15.3 million from the prior year. Workload levels are expected to remain nearly stable at the prior year levels of 17.9

million applicants, 4.4 million job placements and 3.2 million individuals placed in jobs.

Major emphases in this year will be directed toward launching a Departmental initiative to enhance employment services to enable workers and employers to better meet the labor market needs of the 1990's. This effort will include fostering a strong State role in identifying innovative approaches to ES operations and stimulating the changes needed to reform and improve the delivery of public employment services for the next decade. The funds available for National Activities, $68.7 million, provide for the continuation and support of alien labor certification, housing inspection activities, test development, occupational analysis, and an interstate job bank system. The 1990 level includes $24,653,000 for the Targeted Jobs Tax Credit program and continued funding of the employment service retirement amortization plans. Funds appropriated in 1990, $12.5 million for ES automation, are to be used in 1991 and are reflected in the 1991 estimate.

1989

Allotments to States for Program Year 1989 are $763,752,000, including $15,274,040 for penalty mail to be paid to the U.S. Postal Service. Approximately 18.0 million applicants are expected to apply for work or employment related services through public employment service local offices. Of these, an estimated 3.2 million individuals are projected to be placed in jobs.

ES National Activities funds for FY 1989 were $52,761,000 to support alien labor certification and housing inspections, test development, occupational analysis, interstate job clearance, and the Targeted Jobs Tax Credit program. Included in this amount was $2,964,000 appropriated in contingency funds for use in funding the independent retirement plans of four States. For FY 1989 $1.9 million was obligated for this purpose and the remainder used to fund UI workload requirements. One million dollars was reprogrammed to the UI program to meet increased costs of administration.

Changes for 1991

Activity Changes:

Built-In:

Inflation for National Activities....................................	+$1,724,000
Total Built-In....................................	1,724,000
Net Program....................................	-67,915,000

Increase in Test Development Activities

Proposal: To provide for an increase in funding for employment service National activities for Test Development to upgrade the General Aptitude Test Battery.

Rationale: Increased funding will ensure improvement in the test series and add security measures to prevent the test from being compromised.

Program Effects: The effect of this program increase will provide the resources needed to ensure that the GATB remains a State-of-the-art assessment tool.

Base: Estimate: $68,652,000

Program Increase: Estimate: +$1,000,000

Increase in Other National Activities

Proposal: To provide for an increase in employment service National activities for Alien Certification, Interstate Clearance, Test Development and the Occupational Analysis Field Centers.

Rationale: To provide sufficient funding to States to carry out Federal responsibilities of these National activities.

Program Effects: The increase will provide sufficient resources to reimburse States for these continuing activities.

Base: Estimate: $68,652,000

Program Increase: Estimate: +$635,000

Employment Service Automation

Proposal: To provide for an increase in employment service National activities for employment service automation.

Rationale: This increase reflects funds appropriated in 1990 for obligations in 1991.

Program Effects: These funds will be used to support efforts to automate the public employment service, and to bring jobseekers and employers together in an efficient and timely manner.

Base: Estimate: $68,652,000

Program Increase: Estimate: +$12,500,000

State Independent Retirement Plans

Proposal: To decrease employment service National activities for retirement costs for States with independent retirement plans.

Rationale: Current actuarial estimates from the States involved indicate that the annual amortization costs will be lower in FY 1991.

Program Effects: This reduction will not have any adverse effect on the States ability to fund their independent retirement plans.

Base:	Estimate: $68,652,000
Program Increase:	Estimate: -$958,000

Employment Service Allotment to States

Proposal: To reflect a decrease in funding for employment service Allotment to States.

Rationale: This reduction is due to the pressing need for additional resources in other Federal program areas.

Program Effects: States will be requested to achieve greater cost efficiencies and/or supplement the program with non-Federal funds, or accept reductions in services provided to the public. States will continue to coordinate program services and establish linkages with other employment and training programs.

Base:	Estimate: $779,039,000
Program Decrease:	Estimate: -$56,439,000

Targeted Jobs Tax Credit Program

Proposal: To discontinue separate funding of employment service National activities for the Targeted Jobs Tax Credit program.

Rationale: This program will expire at the end of Fiscal Year 1990. Any activities which occur beyond September 30, 1990 can be financed with Allotment to States funds for Program Year 1989.

Program Effects: None.

Base:	Estimate: $68,652,000
Program Decrease:	Estimate: -$24,653,000

EMPLOYMENT SERVICE
ALLOTMENT TO STATES

STATE TABLES

State	1989 Actual (7/89-6/90)	1990 Estimate *1 (7/90-6/91)	1991 Request *1 (7/91-6/92)
Alabama	$11,501,000	$12,084,000	$11,264,000
Alaska	8,136,000	8,299,000	7,698,000
Arizona	9,560,000	9,789,000	9,123,000
Arkansas	7,167,000	7,290,000	6,761,000
California	76,513,000	78,569,000	73,226,000
Colorado	9,966,000	10,081,000	9,337,000
Connecticut	8,200,000	8,588,000	8,003,000
Delaware	2,091,000	2,133,000	1,978,000
District of Columbia	5,426,000	5,329,000	4,881,000
Florida	32,683,000	35,061,000	32,678,000
Georgia	17,923,000	18,411,000	17,159,000
Hawaii	2,903,000	2,851,000	2,612,000
Idaho	6,779,000	6,915,000	6,414,000
Illinois	34,262,000	34,757,000	32,212,000
Indiana	15,385,000	15,577,000	14,430,000
Iowa	9,265,000	9,099,000	8,335,000
Kansas	6,746,000	6,865,000	6,367,000
Kentucky	10,740,000	10,831,000	10,024,000
Louisiana	13,971,000	14,083,000	13,032,000
Maine	4,031,000	4,112,000	3,814,000
Maryland	12,769,000	12,995,000	12,052,000
Massachusetts	15,070,000	16,025,000	14,933,000
Michigan	28,409,000	28,879,000	26,778,000
Minnesota	11,797,000	12,233,000	11,400,000
Mississippi	7,928,000	7,994,000	7,399,000
Missouri	14,485,000	14,767,000	13,745,000
Montana	5,540,000	5,651,000	5,241,000
Nebraska	6,658,000	6,791,000	6,299,000
Nevada	5,385,000	5,493,000	5,095,000
New Hampshire	2,746,000	2,960,000	2,758,000
New Jersey	19,742,000	20,461,000	19,067,000
New Mexico	6,217,000	6,341,000	5,882,000
New York	55,903,000	54,904,000	50,295,000
North Carolina	16,365,000	17,187,000	16,016,000
North Dakota	5,641,000	5,754,000	5,337,000

EMPLOYMENT SERVICE
ALLOTMENT TO STATES

STATE TABLES

State	1989 Actual (7/89-6/90)	1990 Estimate *1 (7/90-6/91)	1991 Request *1 (7/91-6/92)
Ohio	30,282,000	30,785,000	28,546,000
Oklahoma	12,782,000	12,553,000	11,500,000
Oregon	8,944,000	8,816,000	8,114,000
Pennsylvania	31,118,000	31,538,000	29,222,000
Puerto Rico	9,094,000	9,366,000	8,734,000
Rhode Island	2,653,000	2,690,000	2,493,000
South Carolina	8,736,000	9,028,000	8,413,000
South Dakota	5,214,000	5,318,000	4,933,000
Tennessee	13,192,000	13,384,000	12,405,000
Texas	50,709,000	51,411,000	47,640,000
Utah	11,403,000	11,631,000	10,789,000
Vermont	2,442,000	2,491,000	2,311,000
Virginia	15,434,000	15,743,000	14,669,000
Washington	13,177,000	13,698,000	12,767,000
West Virginia	5,968,000	6,087,000	5,846,000
Wisconsin	13,557,000	13,773,000	12,768,000
Wyoming	4,045,000	4,126,000	3,827,000
Guam	350,000	357,000	331,000
Virgin Islands	1,474,000	1,504,000	1,395,000
Indicia Postage	15,275,000	15,581,000	14,452,000 *2
NATIONAL TOTAL	763,752,000	779,039,000	722,600,000

*1 - These are planning estimates and are subject to change. Amounts in the March 15 and May 15 planning estimates will reflect amounts available for obligation as of those dates. These preliminary amounts are based on currently available labor market information.

*2 - The postage estimate is subject to change due to U. S. Postal Service postage billings.

EMPLOYMENT AND TRAINING ADMINISTRATION

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

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EMPLOYMENT AND TRAINING ADMINISTRATION

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

For repayable advances to the Unemployment Trust Fund as authorized by sections 905(d) and 1203 of the Social Security Act, as amended, and to the Black Lung Disability Trust Fund as authorized by section 9501(c)(1) of the Internal Revenue Code of 1954, as amended; and for nonrepayable advances to the Unemployment Trust Fund as authorized by section 8509 of title 5, United States Code, and to the "Federal unemployment benefits and allowances" account, to remain available until September 30, [1991, $33,000,000.] *1992, $328,000,000.* (*Department of Labor Appropriations Act, 1990.*)

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable	1990	1991
A. Appropriation	$124,000,000	$33,000,000	$328,000,000
B. Total Available Budget Authority	124,000,000	33,000,000	328,000,000
Unobligated balance, start of year	---	68,148,000	33,000,000
Unobligated balance, end of year	-68,148,000	-33,000,000	---
Unobligated balance lapsing	---	-13,513,000	---
C. Total, estimated obligations	55,852,000	54,635,000	361,000,000

SUMMARY OF CHANGES

	1990	1991	Net Change
Budget Authority:			
General Funds	$33,000,000	$328,000,000	+$295,000,000

	General Funds
Explanation of Change:	
Increase:	
Built-In:	
To reflect an increase in the amount necessary for repayable advances to the Black Lung Disability Trust Fund	+$295,000,000
Total Increase	+$295,000,000
Total Change	+$295,000,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Budget Authority applied to General Funds:					
Advances	$124,000,000	$33,000,000	$33,000,000	$328,000,000	+$295,000,000
Total Budget Authority	$124,000,000	33,000,000	33,000,000	328,000,000	+295,000,000

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Advances	$33,000,000	$33,000,000	$328,000,000	+$295,000,000
Total, budget authority by object	33,000,000	33,000,000	328,000,000	+295,000,000

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item

1990 House Report (No. 101-172)

No specific actions recommended.

1990 Senate Report (No. 101-127)

No specific actions recommended.

1990 Conference Report (No. 101-274)

No specific actions recommended.

AMOUNTS IN AUTHORIZING LEGISLATION

	Budget Request	
	1990	1991
Legislation		
Authorizing legislation containing indefinite authority		
Section 9501(c)(1) of the Internal Revenue Code of 1954, as amended (Black Lung Disability Trust Fund)	$33,000,000	$328,000,000

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981.......	$670,000,000	$660,000,000	1/	$1,680,577,000
1982.......	4,325,000,000	4,318,000,000	$4,318,000,000	4,318,000,000
1983.......	10,220,000,000	9,446,000,000	11,059,000,000	11,059,000,000
1984.......	7,109,000,000	7,109,000,000	3,086,000,000	7,109,000,000
1985.......	---	---	---	---
1986.......	465,000,000	465,000,000	465,000,000	464,785,000 2/
1987.......	413,000,000 3/	---	---	---
1988.......	30,000,000	30,000,000	30,000,000	30,000,000
1989.......	124,000,000	124,000,000	124,000,000	124,000,000
1990.......	33,000,000	33,000,000	33,000,000	33,000,000
1991.......	328,000,000			

1/ Not considered.

2/ Reflects $215,000 reduction pursuant to P.L. 99-177.

3/ Withdrawn. FY 1986 carry-over funds sufficient.

EMPLOYMENT AND TRAINING ADMINISTRATION
ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

JUSTIFICATION

	1990 Appropriation	1990 Estimate	Difference App/Estimate	1991 Estimate	Difference 1990/1991
Advances.....	$33,000,000	$33,000,000	---	$328,000,000	+$295,000,000
Total Budget Authority..	33,000,000	33,000,000	---	328,000,000	+295,000,000

General Statement

This appropriation provides general fund advances to several trust and general fund accounts for the purposes authorized under various Federal and State unemployment compensation laws whenever the balances in such accounts prove insufficient. The accounts are: the Extended Unemployment Compensation Account, the Federal Employees' Compensation Account and the Federal Unemployment Account of the Unemployment Trust Fund; the Black Lung Disability Trust Fund; and the Federal Unemployment Benefits and Allowances general fund appropriation account.

The 1991 request anticipates that advances will only be required for the Black Lung Disability Trust Fund. The balances in the Extended Unemployment Compensation Account, the Federal Employees' Compensation Account, the Federal Unemployment Account of the Unemployment Trust Fund, and the amount requested in 1991 for the Federal Unemployment Benefits and Allowances appropriation account are expected to be sufficient for payment of benefit and training entitlements. However, if the need should arise due to unanticipated changes in the economic situation, advances will be made to the accounts to the extent they are available.

EMPLOYMENT AND TRAINING ADMINISTRATION
ADVANCES

JUSTIFICATION

1990 Appropriation	1990 Estimate	Difference App/Estimate	1991 Estimate	Difference 1990/1991
$33,000,000	$33,000,000	---	$328,000,000	+$295,000,000

Introduction

Advances are made when the balance in any of the several accounts is insufficient for the payment of benefits or for the payment of Federal or State administrative expenses. Advances are made to the Extended Unemployment Compensation Account of the Unemployment Trust Fund to pay the Federal share of extended unemployment compensation benefit programs; to the Federal Unemployment Account of the Unemployment Trust Fund to provide States with repayable loans for the purpose of paying regular and extended State unemployment insurance benefits; to the Federal Employees' Compensation Account of the Unemployment Trust Fund to provide for the payment of unemployment compensation benefits to former Federal employees, Postal Service employees, and ex-servicemembers; to the Federal Unemployment Benefits and Allowances account to meet requirements under various Federal laws; and to the Black Lung Disability Trust Fund for the payment of black lung disability benefits.

Advances made to the Federal Unemployment Account, and the Extended Unemployment Compensation Account are repayable, with interest, to the general fund of the Treasury. Advances made to the Federal Employees' Compensation Account and the Federal Unemployment Benefits and Allowances account are non-repayable. Advances made to the Black Lung Disability Trust Fund are repayable without interest for 1989 and 1990, but are repayable with interest for 1991 as a result of the Consolidated Omnibus Reconciliation Act of 1985, enacted April 7, 1986.

1991 Budget Request

A total of $361,000,000 will be available and will be used for advances to the Black Lung Disability Trust Fund, of which $33,000,000 will be available from the 1990 unobligated balances, and $328,000,000 in new authority. The requested amount is required to provide adequate cash flow throughout the year. In FY 1991, interest payments on advances by the Black Lung Disability Trust Fund will resume following a five-year moratorium through FY 1990, as provided for in the Consolidated Omnibus Reconciliation Act of 1985. The 1991 interest payment alone is estimated to be $328 million.

Current estimates indicate that it will not be necessary to advance resources to any other account covered through this appropriation. However, if the need should arise due to unanticipated changes in the economic situation, law change or other legitimate reason, advances will be made to the accounts to the extent funds are available.

1990

It is estimated that $54,635,000 will be advanced to the Black Lung Disability Trust Fund. This amount is needed to provide for an adequate cash flow throughout the year and to cover the shortfall in taxes for FY 1990. An unobligated balance of $33,000,000 will be available in 1991 for advances.

1989

A total of $55,852,000 in repayable advances were made to the Black Lung Disability Trust Fund. An unobligated balance of $68,148,000 will be available in 1990 for advances.

Changes for 1991

Activity Changes:

Built-in:

Increase in advances to the Black Lung Disability Trust Fund.....	+$295,000,000
Total Built-in..	+$295,000,000

SUMMARY OF ADVANCES

	1989 Actual	1990 Estimate	1991 Estimate
Black Lung Disability Trust Fund.....	$55,852,000	$54,635,000	$361,000,000
Total Obligations..................	55,852,000	54,635,000	361,000,000
Unobligated balance available, start of year...........................	---	-68,148,000	-33,000,000
Unobligated balance lapsing..........	---	+13,513,000	---
Unobligated balance available, end of year...........................	+68,148,000	+33,000,000	---
Total Budget Authority.............	124,000,000	33,000,000	328,000,000

WEDNESDAY, MARCH 7, 1990.

DEPARTMENTAL MANAGEMENT

WITNESSES

THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

THOMAS E. COLLINS, ASSISTANT SECRETARY FOR VETERANS' EMPLOYMENT AND TRAINING

JUSTIN DART, JR., CHAIRMAN, PRESIDENT'S COMMITTEE ON EMPLOYMENT OF PEOPLE WITH DISABILITIES

EDWARD V. BOND, DIRECTOR, OFFICE OF MANAGEMENT, ADMINISTRATION AND PLANNING, BUREAU OF INTERNATIONAL LABOR AFFAIRS

AMPARO B. BOUCHEY, DEPUTY ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS

DEBRA R. BOWLAND, ACTING DIRECTOR, WOMEN'S BUREAU

M. ELIZABETH CULBRETH, EXECUTIVE DIRECTOR, OFFICE OF ADMINISTRATIVE APPEALS

ROBERT P. DAVIS, SOLICITOR

ROLAND G. DROITSCH, DEPUTY ASSISTANT SECRETARY FOR POLICY

NAHUM LITT, CHIEF ADMINISTRATIVE LAW JUDGE, OFFICE OF ADMINISTRATIVE LAW JUDGES

ANNABELLE T. LOCKHART, DIRECTOR OF CIVIL RIGHTS

JOHANNA SCHNEIDER, DIRECTOR, OFFICE OF INFORMATION AND PUBLIC AFFAIRS

ROY P. SMITH, CHIEF ADMINISTRATIVE APPEALS JUDGE, BENEFITS REVIEW BOARD

MICHAEL J. WALSH, CHAIRMAN, EMPLOYEES' COMPENSATION APPEALS BOARD

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

GEORGE B. BAILY, JR., DIRECTOR, OFFICE OF BUDGET AND RESOURCE MANAGEMENT SERVICES

Mr. NATCHER. At this time we take up Departmental Management for the Department of Labor. We have before the committee Mr. Thomas C. Komarek. Mr. Komarek, before giving us your statement, as I understand we may have three statements. Tell us who you have with you there at the table.

Mr. KOMAREK. Yes, Mr. Chairman.

I have with me a group of my colleagues in the Labor Department, some of whom have been here before and some who are new faces. I will introduce them all. On my right is Robert Davis, Solicitor of Labor, second is Roland G. Droitsch, Deputy Assistant Secretary for Policy. At the end, Jim McMullen, Department Director of Budget. On my left is Thomas Collins, Assistant Director for Veterans' Employment and Training Services; Debra Bowland, Acting Director of Women's Bureau; Mr. Justin Dart, Chairman, President's Committee on Employment of People with Disabilities; and George Baily, Director, Office of Budget and Resource Management

Services. Seated behind me are Annabelle Lockhart, Director of Office of Civil Rights; Elizabeth Culbreth, Executive Director, Office of Administrative Appeals; Amparo B. Bouchey, Deputy Assistant Secretary for Congressional and Intergovernmental Affairs, Nahum Litt, Chief Administrative Law Judge, Office of Administrative Law Judges; Michael J. Walsh, Chairman, Employees' Compensation Appeals Board; Roy P. Smith, Chief Administrative Appeals Judge, Benefits Review Board; Edward V. Bond, Director of the Office of Management, Administration and Planning for the Bureau of International Labor Affairs; and Johanna Schneider, Director of the Office of Information and Public Affairs.

DEPARTMENTAL MANAGEMENT BUDGET HIGHLIGHTS

Mr. NATCHER. Thank you.

We will be pleased to hear from you.

Mr. KOMAREK. If I could, I would like to place my statement in the record and summarize it.

Mr. NATCHER. It will be placed in the record in its entirety.

Mr. KOMAREK. The appropriations for fiscal 1991 equals $150,994,000 and 1,943 full-time equivalent ceiling. Of this total, $131,313,000 is derived from general funds, $19,396,000 is derived from the Black Lung Disability Trust Fund and $285,000 is derived from the Unemployment Trust Fund. This budget request reflects an increase in total of $11,645,000 and 21 positions over the budget approved for fiscal year 1990.

The budget requests the support for three key initiatives cited by Secretary Dole. The Secretary is concerned about a crisis in the American workforce. Illiteracy and a lack of training have robbed the American workforce of much needed skilled labor. The jobs are there, but the skilled laborers are not. The Secretary fears that our competitive place in the global economy will be threatened if we cannot bridge the gap between school and the workplace. She plans to expand research in the "school-to-work" area. Second, the Secretary is very concerned about safety in the workplace and about enforcement of our occupational safety and health statutes. Finally, Secretary Dole is concerned about the protection of assets in employee pension programs. She has noted the sharp increase in recent years in the number of pension plans and in the amount of assets in those plans. She supports vigorous enforcement of fiduciary standards for pension programs and criminal and civil prosecutions where the assets of our pension plans are abused. The increases requested in this budget are concentrated in these areas.

This budget request includes built-in increases in the amount of $7,074,000. It also presents 15 different program increases providing 67 additional staff and $8,119,000 in additional funding. These program increases are partially offset by program decreases amounting to 46 FTEs and $3,548,000.

The program increases are concentrated in the following five areas: $3,822,000 and one position for the Assistant Secretary for Policy to focus on research and increased support of workplace substance abuse activities; $4,111,000 and 63 positions for the Office of Solicitor, to concentrate in the areas of ERISA enforcement, OSHA compliance and OFCCP enforcement, Fair Labor Standards Act enforcement and enforcement of other statutes of the wage and hour laws. A total of $76,000 is requested to provide for increased travel opportunities for the President's Committee on Employment of People with Disabilities. Two positions and $59,000 are requested for the Women's Bureau to expand the data base for the Work and Family Clearinghouse; and $51,000 and one position are requested to provide for the Bureau of International Labor Affairs to expand its capabilities for policy analysis and related immigration research.

The program decreases are distributed throughout the Departmental Management components—24 positions and $1,560,000 in the Black Lung Disability Trust Fund, to reflect a decrease in the pending Black Lung workload within the Office of Administrative Law Judges; 16 positions and $659,000 in the Black Lung Disability Trust Fund, to reflect a projected decrease in Black Lung intake at the Benefits Review Board; six positions and $432,000 in the Office of Administrative Law Judges, to reflect a decrease in workload in the Longshore program area; a decrease of $540,000 in the Women's Bureau, to reflect the elimination of $500,000 for the one-time funding for the Displaced Homemakers Network and $40,000 for contracts in support of the Work and Family Clearinghouse; a decrease of $150,000 in the Bureau of International Labor Affairs, to reflect the elimination of one-time funding for the grant to the International Labor Organization to computerize its workers rights index; and reductions totaling $207,000 in general contract support to offset, in part, the impact of having to absorb the costs of various pay raises.

WORKING CAPITAL FUND REQUEST

Briefly, I would like to summarize the request for the Working Capital Fund for fiscal year 1991. Obligations are estimated to total $68,944,000 in fiscal year 1991—a decrease of $1,350,000 from estimated obligations in fiscal year 1990. The request for the Working Capital Fund includes built-in increases of $4,516,000. Only one program increase is requested for fiscal year 1991; that is $125,000 to provide for the increased operating costs of the new Departmental accounting system. A built-in decrease of $1,543,000, related to the one-time costs of developing and implementing the new Departmental accounting system, is included in this request. Two program decreases are also included in this budget request—reductions in the amount of $105,000 in general contractual services required to fund, in part, the mandatory pay raise costs required for these activities, and a reduction of $4,343,000 reflecting the Department's share of the estimated government-wide savings for voice communications that result from the installation of FTS 2000.

I am pleased to report that we are able to control costs within the Working Capital Fund this year and the savings will be 2 percent below the estimate of obligations for fiscal year 1990.

I appreciate the opportunity to appear before you today. I understand that formal statements will also be provided by Mr. Thomas Collins, the Assistant Secretary for Veterans' Employment and Training and by Mr. Justin Dart, Jr., the Chairman of the President's Committee on Employment of People with Disabilities. We are all happy to answer any questions you might have.

Mr. NATCHER. Thank you, Mr. Komarek.

[The information follows:]

Statement by Thomas C. Komarek
Assistant Secretary for Administration and Management
Appropriations Subcommittees
Fiscal Year 1991 Budget Request

Departmental Management
Salaries and Expenses
Working Capital Fund
March 1990

Mr. Chairman, and members of the Subcommittee, thank you for this opportunity to appear before you today to outline my recommendations for the Departmental Management Salaries and Expenses appropriation, and to summarize the Working Capital Fund request for the Department of Labor.

Reflective of the diversity within the Departmental Management appropriation are the organizations which are represented here with me today. I would like to take this opportunity to introduce some new faces to you and to reintroduce others who have appeared with me before. Joining me today on my right are Robert P. Davis, Solicitor of Labor; Jennifer L. Dorn, Assistant Secretary for Policy; and Jim McMullen, Director of the Department's Office of Budget. On my left are Thomas E. Collins, the Assistant Secretary for Veterans' Employment and Training; Debra R. Bowland, the Acting Director of the Women's Bureau; Dale T. Tate, the Assistant Secretary for Public Affairs; and Justin Dart, Jr., the Chairman of the President's Committee on Employment of People with Disabilities.

Seated behind me, from left to right, are Annabelle T. Lockhart, Director of the Office of Civil Rights; Elizabeth M. Culbreth, Executive Director of the Office of Administrative Appeals; Kathleen M. Harrington, Assistant Secretary for Congressional Affairs; Nahum Litt, Chief Administrative Law Judge of the Department; Michael J. Walsh, Chairman of the Employees' Compensation Appeals Board; Roy P. Smith, Chief Administrative Appeals Judge of the Benefits Review Board; Shellyn G. McCaffrey, Deputy Under Secretary for International Labor Affairs; and George Baily, the Budget Officer for the Departmental Management appropriations.

I am pleased to present this budget request to you because I believe that it provides support for many new initiatives within the Department. It also provides for more efficient utilization of resources within the appropriation. The total budget request for the Departmental Management salaries and expenses appropriation for fiscal year 1991 equals $150,994,000 and 1,943 full-time equivalent ceiling. Of this total, $131,313,000 is derived from general funds, $19,396,000 is derived from the Black Lung Disability Trust Fund and $285,000 is derived from the Unemployment Trust Fund. This budget request reflects an increase in total of $11,645,000 and 21 positions over the budget approved for fiscal year 1990.

Activities financed within the Departmental Management Salaries and Expenses appropriation are responsible for formulating and overseeing the implementation of Departmental policy and for the overall management of Departmental programs and resources. In addition, this appropriation includes a variety of special and unique programs and activities. The Departmental Management activity provides funding for the following activities:

Executive Direction, which includes the immediate Offices of the Secretary and the Deputy Secretary;
Legal Services, encompassing the Office of the Solicitor;
the Bureau of International Labor Affairs;
my office, which is the Office of the Assistant Secretary for Administration and Management;
the Adjudicatory functions within the Department, including the Office of Administrative Law Judges, the Benefits Review Board, the Employees' Compensation Appeals Board and the Wage Appeals Board;
the President's Committee on Employment of People with Disabilities;
the Women's Bureau; and
the Directorate of Civil Rights.

This budget request supports three key initiatives for fiscal year 1991 cited by Secretary Dole in testimony before the Congress. The Secretary sees a crisis in the American workforce. Illiteracy and a lack of training have robbed the American workforce of much needed skilled workers. The jobs are there, but the skilled laborers are not. The Secretary fears that our competitive place in the global economy will be threatened if we cannot bridge the gap between school and the workplace. She plans to expand research in the "school-to-work" area. Second, the Secretary is very concerned about safety in the workplace and about enforcement of our occupational safety and health statutes. Finally, Secretary Dole is concerned about the protection of assets in employee pension programs. She has noted the sharp increase in recent years in the number of pension plans and in the amount of assets in those plans. She supports vigorous enforcement of fiduciary standards for pension programs and criminal and civil prosecutions where the assets of our pension plans are abused. The increases requested in this budget are concentrated in these areas.

In an account as diverse as this one, accomplishments last year and this year come in many different areas. In addition to successfully accomplishing its on-going responsibilities, several significant and unique accomplishments were achieved by the activities within this account. In a broad brush, the Office of the Solicitor received 44,849 cases for litigation in FY 1989, concluded 25,691 cases and had 138,439 cases pending at the end of the fiscal year. Activities continued to be focused in OSHA, MSHA, PWBA, ETA, Wage-Hour, OFCCP and FECA subrogation workload areas. This year, the Bureau of International Labor Affairs (ILAB) will issue a grant to the International Labor Organization to develop a computerized index of worker rights cases. This information is essential for the Department to analyze and report on issues involving worker rights in various countries around the world. ILAB will also be involved in the Uruguay Round and bilateral trade agreements. ILAB will also be participating in the development of new U.S. trade policy and initiatives involving the Soviet Union, Poland and other countries in Eastern Europe. ILAB continued to participate in immigration research, including the Triennial Comprehensive Immigration Impact Reports, the Unauthorized Alien Employment Reports and the Legislation Program Reports. My office will complete installation of a new Departmental accounting system this year, after nearly two years of concentrated effort. In the Adjudication area, the Office of Administrative Law Judges eliminated its backlog of Black Lung cases in FY 1989. The Benefits Review Board disposed of approximately 4,000 cases during FY 1989, essentially matching its highest total ever (which was reached during fiscal year 1988). Despite sustaining a high number of appeal dispositions, backlogs in the Black Lung program do remain at the Benefits Review Board. This year the Women's Bureau will conduct a demonstration project that focuses on the effectiveness of the volunteer sector in encouraging employer support of child care and eldercare. The Women's Bureau will also expand the Work and Family Clearinghouse in fiscal year 1990, and will support a variety of projects involved in the Displaced Homemaker Network. Fiscal Year 1989 also saw the completion of the Clearinghouse on Implementation of Child Care and Eldercare Services, CHOICES, a computerized database on dependent care and flexible work policies. CHOICES provides employers with information and technical assistance on how to establish these family responsive services in the workplace. Employers may access CHOICES through a toll-free telephone number or by written request.

This budget request includes built-in increases in the amount of $7,074,000. This budget request also presents 15 different program increases, providing 67 additional staff and $8,119,000 in additional funding. These program increases are partially offset by program decreases amounting to 46 FTE and $3,548,000. The program increases are concentrated in the following five areas: $3,822,000 and one position for the Assistant Secretary for Policy to focus on research and increased support of workplace substance abuse activities; and $4,111,000 and 63 positions for the Office of the Solicitor, to concentrate in the areas of ERISA enforcement, OSHA compliance and enforcement, OFCCP enforcement, FLSA enforcement and enforcement of other statutes administered by the Wage and Hour Division. A total of $76,000 is requested to provide increased travel opportunities for the President's Committee on Employment of People with Disabilities. Two positions and $59,000 are requested for the Women's Bureau to expand the data base for the Work and Family Clearinghouse; and $51,000 and one position are provided for the Bureau of International Labor Affairs to expand its capabilities for policy analysis and related immigration research.

The program decreases are distributed throughout the Departmental Management components -- 24 positions and

$1,560,000 in the Black Lung Disability Trust Fund, to reflect a decrease in the pending Black Lung workload within the Office of Administrative Law Judges; 16 positions and $659,000 in the Black Lung Disability Trust Fund, to reflect a projected decrease in Black Lung intake at the Benefits Review Board; 6 positions and $432,000 in the Office of Administrative Law Judges, to reflect a decrease in workload in the Longshore program area; a decrease of $540,000 in the Women's Bureau, to reflect the elimination of $500,000 for the one-time funding for the Displaced Homemakers Network and $40,000 for contracts in support of the Work and Family Clearinghouse; a decrease of $150,000 in the Bureau of International Labor Affairs, to reflect the elimination of one-time funding for the grant to the International Labor Organization to computerize its workers rights index; and reductions totalling $207,000 in general contract support to offset, in part, the impact of having to absorb the costs of various pay raises.

Briefly, I would like to summarize the request for the Working Capital Fund for fiscal year 1991. Obligations are estimated to total $68,944,000 in FY 1991 -- a decrease of $1,350,000 from estimated obligations in fiscal year 1990. The request for the Working Capital Fund includes built-in increases of $4,516,000. Only one program increase is requested for fiscal year 1991 -- $125,000 to provide for the increased operating costs of the new Departmental accounting system. A built-in decrease of $1,543,000, related to the one-time costs of developing and implementing the new Departmental accounting system, is included in this request. Two program decreases are also included in this budget request -- reductions in the amount of $105,000 in general contractual services required to fund, in part, the mandatory pay raise costs required for these activities, and a reduction of $4,343,000 reflecting the Department's share of the estimated government-wide savings for voice communications that result from the installation of FTS 2000.

The Working Capital Fund provides a broad range of administrative services within the national capital area and within the regional offices. These services include accounting and payroll support, personnel management, voucher audit, space management, procurement and contracting support, and employee safety and health services. The Working Capital Fund also provides for Departmental mail payments to the U.S. Postal Service and for telecommunications payments to the General Services Administration.

The Working Capital Fund is defined as an intra-governmental revolving fund. The fund is reimbursed by the agencies of the Department for centralized services provided by components of the fund. In addition, provision is made to receive advances and/or reimbursements for services rendered to State and local governments, other Federal agencies and to non-governmental entities. Through a reimbursable agreement, the General Services Administration provides the Department of Labor with funding for the operation and maintenance of our headquarters building, the Frances Perkins Building. I am pleased that we are able to control costs within this fund, and that the estimate of obligations for the fund in fiscal year 1991 will be 2 percent below the estimate of obligations for fiscal year 1990.

As I outlined earlier, I am pleased to present these budget requests. They contain requests for new initiatives in key areas within the Department, at the same time that costs are controlled in an overall context. The budget decreases which are requested will lead to more efficient use of resources.

I appreciate the opportunity to appear before you today. Accompanying me are other officials of the Department of Labor whose organizations are funded by this appropriation. Formal statements are also provided by Mr. Thomas E. Collins, the Assistant Secretary for Veterans' Employment and Training and by Mr. Justin Dart, Jr., the Chairman of the President's Committee on Employment of People with Disabilities. We are all happy to answer any questions you might have.

Biographical Sketch

THOMAS C. KOMAREK

Assistant Secretary for Administration and Management
Department of Labor

Mr. Komarek was appointed Assistant Secretary of Labor for Administration and Management on October 7, 1983. In this position, he is responsible for directing the Department's activities in the areas of budget and accounting, personnel, administrative services, and information technology. Mr. Komarek also directs the Department's civil rights activities, the internal equal employment opportunity and safety and health programs, and regional management activities.

Mr. Komarek came to work for the Employment and Training Administration (ETA) of the Department of Labor in 1971 as the Regional Financial Manager in the Boston region. There he served in a variety of positions before leaving as the Deputy Regional Administrator for ETA. Subsequently, he served as the ETA Regional Administrator in Chicago and New York, and as ETA Comptroller in Washington, D.C. He was appointed Administrator, Financial Control and Management Systems in October 1981.

Mr. Komarek spent three years in the Air Force as an officer, followed by a year with Ingersoll Rand, Inc., as a Personnel Manager. He began his civilian government career in 1966 with the Post Office Department in Boston working both in postal operations and in financial management.

Mr. Komarek grew up in Omaha, Nebraska. He graduated from Dartmouth College with a degree in Economics and earned a Master's degree in Business Administration from Northeastern University.

Mr. Komarek lives in the District of Columbia with his wife, Judy. He has two sons.

BUDGET OVERVIEW FOR THE VETERANS' EMPLOYMENT AND TRAINING PROGRAMS

Mr. NATCHER. Next we have Mr. Thomas Collins. Mr. Collins it is a pleasure to have you before the committee.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. NATCHER. We will be pleased to hear from you.

Mr. COLLINS. Thank you, Mr. Chairman. It is an honor and pleasure to come before you for the first time to present our budget for the Veterans' Employment and Training programs. This is my first opportunity to present the budget since I was nominated and confirmed last year and sworn in on October 10, 1989.

I have worked for the Administration and have become very familiar with the operation of the Veterans' Employment and Training Service. This agency and its grantees provide vital services to the veterans who have served our country.

We also provide a vital service to the economy of this country by bringing the talents of those who have developed skills from their military training and service back into the workforce.

I am a veteran of the Vietnam War, having been an Air Force pilot in Vietnam. I was a POW for over seven years. I brought with me to Washington prior experience in veterans' affairs and activities, being an active member of most major veterans' organizations and having served as head of a state agency serving veterans for almost seven years.

Highlighting our 1991 request, I would point out that I am very confident that the agency will be able to carry out its mission. The basic administration including personnel for the agency is fully funded. All our programs are funded, and for the most part, they increase slightly.

You will find that while our requests for the disabled veterans outreach and the local veterans employment representative programs contain a slight increase, it will fund less than the number of positions mandated by legislative formula.

The request also contains funds insufficient to meet the full contract recently signed for our National Veterans' Training Institute, which provides vital services in preparing our field staff and employees of the states to deliver quality services.

We are going to emphasize providing employment services to those most deserving the services. We will stress services to disabled and homeless veterans and soon to be separated military servicemen. Rather than read a lengthy and more detailed written testimony, with your permission, I will submit the written testimony for the record and will be very pleased to discuss any matters concerning the operations of the Veterans' Employment and Training Service with you.

Mr. NATCHER. Thank you, Mr. Collins.

[The information follows:]

Statement of Thomas E. Collins
Assistant Secretary for
Veterans' Employment and Training
Appropriation Subcommittee
Fiscal Year 1991 Budget Request

Departmental Management
Assistant Secretary for Veterans' Employment and Training

Mr. Chairman and Members of the Committee:

It is a great honor and privilege to appear before you to present my first testimony as Assistant Secretary for Veterans' Employment and Training, and to discuss the Fiscal Year 1991 Department of Labor budget as it pertains to veterans' employment and training programs.

In assuming the duties of Assistant Secretary, I was indeed fortunate to have taken on the leadership of an agency which has had an excellent history of serving veterans. For example, in the past few years the unemployment rate for Vietnam-era veterans has been on a steady decline. The unemployment rate for Vietnam-era veterans dropped from 4.6% in June 1987 to 3.4% by June 1989. While a direct relationship to that significant decrease cannot be shown, it is extremely interesting to note that services to veterans provided by our Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representative (LVER) staff improved concurrently. During the same period (June 1987 through June 1989), DVOP/LVER staff increased the rate of veterans served from only 70.3 percent of veteran applicants up to 86.6 percent. Also, in the same period, veterans placed in jobs increased from 14 percent to 18 percent. Those improvements came about due to a variety of reasons, but primarily, because virtually all of our DVOP/LVER staff became better trained during this period. Training of DVOP/LVER staff was provided by the National Veterans Training Institute (NVTI), permanently established by Public Law 100-323 in May 1988. From FY 1988 to FY 1989, the number of NVTI graduates doubled, from 1,435 to 2,867, and nearly all participants were DVOP/LVER staff. Consequently, the existing DVOP/LVER staff are now better prepared to serve veteran applicants in an improving economy.

With that information as background, I would like to discuss our plans for the FY 1991 budget year. For FY 1991 we are requesting a total of $161,514,000 to fund 288 Federal FTE and 3,195 State positions. Those funds are comprised of $143,081,000 for grants, $17,604,000 for administration, and $829,000 for the National Veterans' Training Institute (NVTI). The FY 1991 request includes the following changes from the FY 1990 budget: grants increased slightly by $160,000; administration increased by $1,732,000, about 11%; and NVTI decreased significantly by $1,316,000, more than 61%.

A major initiative we plan to concentrate upon in FY 1991 will be the Transition Assistance Program (TAP). This program consists of two unique service delivery components: a three-day employment workshop offered to all separating servicemembers, with additional individual specialized services that will be offered to servicemembers being separated due to a service-connected disability, called Disabled Transition Assistance Program (DTAP). VETS is requesting $225,000 to fund the Congressionally-mandated test pilot which in FY 1991 will expand to include an additional 21 sites within the 10-State restriction: 9 for DTAP and 12 for TAP.

Known as TAP, this cooperative effort with military service branches was begun in FY 1990 at seven sites, three of which are DTAP. TAP is intended to provide servicemembers who are within 180 days of separation with information and assistance regarding employment to allow them to make informed career choices. VETS anticipates that through the provision of vocational assessment and guidance services, current labor market information, and intensive job search assistance, servicemembers will be better able to obtain jobs when and if they leave military service. Additionally, such assistance and guidance is expected to shorten the post-service period of unemployment and thereby reduce expenditures for unemployment compensation for ex-servicemembers.

TAP will serve servicemembers who are separating through normal channels at military bases, beginning at four sites in FY 1990 with 12 additional sites in FY 1991. This program is coordinated between DOL, the Department of Defense (DOD) and the Department of Veterans' Affairs. One Local Veterans' Employment Representative (LVER) will serve at each of the sites to conduct three-day employment and training workshops.

DTAP, the disabled component, is to be pilot tested at three military hospitals in FY 1990 as a coordinated program between DOL, DOD, and the Department of Veterans Affairs. In addition to the workshop, this program will seek to provide individualized vocational guidance and career planning guidance to soon-to-be-released disabled servicemembers. Expanding by nine additional sites to twelve in FY 1991, DOL will identify one Disabled Veteran Outreach Program specialist per DTAP site to provide services.

An automated tool serving as an integral part of TAP is the Civilian Occupation Labor Market Information System (COLMIS). The $225,000 requested increase for TAP in our FY 1991 budget will be used to implement the COLMIS automation initiative. Through COLMIS, separating servicemembers will be provided county level occupational outlook information; current information on available jobs, their wage rates, and employers with those job openings; and a conversion of military acquired skills to civilian occupations.

In cooperation with the Employment and Training Administration, we are participating in an experimental multi-State job bank to assist veterans in finding jobs during relocation to distant areas. An additional $200,000 is requested to upgrade and replace existing ADP hardware purchased prior to 1987. This is necessary in order to comply with the Department's ADP architecture and to ensure that all agency hardware is compatible and capable of operating the Veterans' Information Management System.

The provision of services to disabled veterans beyond the specific requirements of legislation will continue to be one of VETS' priorities. This special emphasis led to the development of the DTAP effort mentioned previously, to assist disabled servicemembers, the group most in need of such help. The staff which provides these special services are the DVOP specialists, who are especially trained for this role. Another initiative targeting disabled veterans is our involvement with International Business Machines (IBM). That program is assisting severely disabled veterans in training for and placement in quality computer related jobs.

I shall now address the three specific program activities contained in our budget. First, the Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representative (LVER) program. The FY 1991 budget request for grants-to-states totals $143,081,000, which represents an increase of $160,000, or 0.1%, over the funding level provided in FY 1990. Of that total $74,473,000 will fund approximately 1,730 DVOP positions, or 92% of the Congressionally-mandated formula level.

We have requested a funding level of $68,608,000, which will fund 1,465 LVER positions or 91.6% of the mandated 1,600 positions. Budget restraint has kept the total request to an increase of 0.1% over the FY 1990 level.

Of course, we would sincerely prefer to maintain the DVOP/LVER positions at mandated levels. However, the requested level is consistent with our larger national objective of budgetary restraint. It should be noted that, in spite of the 1.4% sequestration in FY 1990, and because we were operating under continuing resolutions for most of the first quarter, we shall be able to authorize staffing of both the DVOP and LVER programs at the mandated level for the remainder of fiscal year 1990.

The second budget area to be discussed is the FY 1991 funding level requested for the National Veterans' Training Institute (NVTI). Due to budget constraints, we are requesting $829,000 to permit 500 training slots in FY 1991, which is substantially less than the $2.1 million provided in FY 1990. With existing DVOP and LVER staff having already received basic training at NVTI during FY 1988, FY 1989 and FY 1990, training will be focused particularly on newly hired DVOP/LVER staff. Alternative funding sources and operational strategies will be evaluated since the requested amount is below minimum funding levels of the competitively-let NVTI contract which was implemented on January 1, 1990.

The third area to be covered is generically labelled "Administration." We are asking for a total amount of $17,604,000 for FY 1991, including personnel compensation and nonpersonal services to fund 288 FTE agency positions. That amount is $1,732,000 greater than the FY 1990 operating budget and includes $1,119,000 for increases such as pay raises in personnel compensation and benefits; and $188,000 for increased costs of travel, rents, utilities, communication, supplies, equipment and other services.

Rather than use some of these resources for NVTI, we decided to maintain our Federal staffing level at 288 positions for the agency in order to continue providing the full range of activities and services required by law and administrative requirements.

With regard to the Veterans' Reemployment Rights (VRR) program, within our "Administration" budget, we intend to continue to improve case processing by involving all VETS staff in efforts to educate employers regarding their legal obligations, by prompt and accurate response to VRR inquiries, and by early use of mediation and conciliation case conferencing. Additionally, recent events such as Operation "Just Cause" and the potential reduction in active military forces in response to Eastern European political changes may increase VRR workload. It is anticipated that more reservists and National Guard members will request assistance.

In conclusion, the funding level of $161,514,000 requested for our operating budget will permit Federal staff to perform all legislatively and administratively required activities and will allow the DVOP and LVER programs to operate within levels established according to budgetary constraints. The agency will focus on improving Veterans' Reemployment Rights (VRR) case processing, reducing the duration of unemployment of recently separated veterans through the Transition Assistance Program (TAP), and attacking employment problems of service-connected disabled and combat theater Vietnam-era veterans.

This budget request does not include our grants programs for training veterans under Title IV, Part C of the Job Training Partnership Act (JTPA) nor the Homeless Veterans' Reintegration Program (HVRP) under the Stewart B. McKinney Act. Although resources for these programs are appropriated through the Employment and Training Administration's Training and Employment Services account, administration of these two programs comprises a substantial portion of our agency's workload and is an important function for full-time Federal staff included under the "Administration" activity. Our grants management staff must develop procedures for grant processing, establish and maintain a grant review and evaluation process, and coordinate the funding for all of the grants in both programs. For FY 1991 we are requesting $8,863,000 for the JTPA IV-C program and $2,200,000 for HVRP.

Again, I thank you for the opportunity to present our budget. I will be pleased to answer your questions.

Biographical Sketch

THOMAS COLLINS

Assistant Secretary
Veterans' Employment and Training Service
U.S. Department of Labor

Thomas Collins was appointed Assistant Secretary of Labor for Veterans' Employment and Training by President George Bush in October 1989. Prior to his appointment he had been Executive Director of the Mississippi Veterans' Farm and Home Board from 1981 to 1988, when he ran for Congress in Mississippi's Fourth District.

Mr. Collins was an Air Force fighter pilot who was a POW from 1965-1973. He served in the Air Force from 1959 to 1980. Following his discharge and before being appointed to head the Veterans' Farm and Home Board in his native Mississippi, Mr. Collins started and operated his own real estate and investments business in his hometown.

A 1959 graduate of Mississippi State University who left the Air Force with the rank of lieutenant colonel, Collins attended the Armed Forces Staff College and other military schools while in the service.

After returning from Vietnam, he earned a Master of Business Administration degree from the University of Southern Mississippi and served as a professor of aerospace education there.

His many military honors include the Silver Star Medal with Oak Leaf Cluster, the Legion of Merit, Distinguished Flying Cross, Bronze Star Medal, Air Medal, Meritorious Service Medal and Oak Leaf Cluster and Purple Heart with Oak Leaf Cluster.

A member of a number of veterans' service organizations, Collins is married to his childhood sweetheart, Donnie Collins, and they have two sons.

1991 BUDGET OVERVIEW ON THE PRESIDENT'S COMMITTEE

Mr. NATCHER. Mr. Dart, it is a pleasure to have you back before the committee. We will be pleased to hear from you.

Mr. DART. Thank you, Mr. Chairman.

Mr. Chairman and Members of the committee, it is an honor and a privilege for me to appear before you today for the first time in my capacity as Chairman of the President's Committee on Employment of People with Disabilities.

I would like to commend you, Mr. Chairman, and your distinguished colleagues, including certainly Mr. Conte, for your long and consistent support of the President's Committee and of the equality, the productivity and quality of life of Americans with disabilities.

The President of the United States has made employment of people with disabilities a top priority of his Administration. I am proud to serve under his leadership. I am pleased to have this opportunity to testify on behalf of our fiscal year 1991 budget because I believe that the Committee is one of the finest organizations in existence today working on behalf of people with disabilities in employment. The impact that has been made, and will continue to be made, by such a small organization working in cooperation with a cadre of volunteers is truly amazing. I attribute a great deal of the success and accomplishment of the President's Committee to the outstanding leadership of Jay Rochlin, our Executive Director.

The Committee's budget proposal for fiscal year 1991 is $3,700,000 and 37 FTE. This budget provides $340,000 for the Job Accommodation Network, JAN, to retain the fiscal year 1990 funding level; $744,000 for built-in increases; and a $76,000 program increase for travel. Included in the built-in increases of $744,000 is $500,000 for GSA space rental charges which is offset by a reduction in the Executive Direction activity.

OPPORTUNITIES FOR PEOPLE WITH DISABILITIES

There has been a lot of discussion about the traditional labor force in this country and how it will not keep pace with the expanding economy. Businesses must look to alternative sources to fill positions if they are to remain a competitive force in the global economy. Now, in spite of the great progress reported in this century, two-thirds of working age people with disabilities remain unemployed. These people have a great potential to contribute to the productivity of the nation, but dynamic action must be taken to fulfill this potential and America must be educated that people with disabilities have an inalienable right and an inalienable responsibility to be fully productive and that government and all citizens have a corresponding fundamental responsibility to create a context in which that full productivity can occur.

Mr. Chairman, I believe we have a truly historic opportunity to make a major impact on the needs of both employers and people with disabilities by creating a more productive and efficient society for all citizens of this great nation.

Our fiscal year 1991 budget request will assist us in doing that. This will help meet the increased demand for information by the public and employers on the employment of people with disabilities. The need for this information is critical. The Job Accommodation Network along with many of the Committee's projects are tremendous tools for the business community to facilitate retraining workers who become disabled on the job and for hiring people with disabilities to fill their vacancies.

GOALS AND OBJECTIVES OF THE PRESIDENT'S COMMITTEE

The goals and objectives of the Committee are twofold. First, the Committee will continue as the nation's leader in the study, development and implementation of the President's employment policies and programs serving the needs of people with disabilities and the needs of employers by: advising the Administration and consulting with Congress and federal agencies on employment policy, legislation, administration and regulations; consulting with and fostering cooperation of agencies, groups and organizations essential to job preparation and employment of people with disabilities; utilizing to the greatest extent possible volunteers and people with disabilities in the design and delivery of Committee programs; strengthening our relationship with the media and our partnership with the network of governors and local committees on employment of people with disabilities; and soliciting the views of persons with disabilities throughout the nation and reflecting those perceptions in the direction and conduct of the Committee's programs.

Second, the President's Committee will provide information services to employers, labor, and people with disabilities by: gathering and disseminating technical assistance; increasing employer, union and employee awareness and understanding of why and how to expand job opportunities for veterans and all people with disabilities; focusing attention on the employment-related problems facing disadvantaged persons with disabilities, especially minorities with disabilities; increasing the responsiveness of our nation's employment-related training programs to the employment-related instructional needs of disadvantaged persons with disabilities, especially minorities with disabilities; facilitating the awareness of small business operators to the employment potential of people with disabilities; reducing the risks and disincentives associated with employing people with disabilities; and nurturing the development of incentives to both employers and potential workers with disabilities.

These basic priorities require resources for the Job Accommodation Network, travel, printing, and contract research. These basic priorities are consistent with the Secretary's goals on Job Training and Worker Skills and the unemployment problems facing disadvantaged youth; the objective to improve our nation's employment training resources' capacity to meet the employment-related needs of disadvantaged persons; and the objective concerning coordination and linkages of human resource-related programs. The Committee must have the resources to conduct programs that will result in successful methods of educating the public and enlisting cooperation among all segments of the population to assure that people with disabilities, including minorities, join the workforce as tax paying citizens. These necessary resources include the requested travel increase to enable the Committee to plan and execute our annual meetings and meet the demand by state committees for the technical assistance information that is so critical to the employment of people with disabilities.

Mr. Chairman, again, it has been an honor to appear before you today. I appreciate your interest and support in our efforts to insure that all citizens in this nation have the opportunity to achieve dignity and independence through productive employment. I will be pleased at this time to address any questions that you and your colleagues may have.

Thank you.

Mr. NATCHER. Thank you, Mr. Dart.

[The information follows:]

Statement by Justin Dart, Jr.
Chairman
President's Committee on Employment of People With Disabilities
Appropriations Subcommittees
Fiscal Year 1991 Budget Request

Departmental Management
Salaries and Expenses
March 1990

Mr. Chairman, Members of the Committee, it is an honor and a privilege for me to appear before you today for the first time in my capacity as Chairman of The President's Committee on Employment of People with Disabilities. I would like to commend you, Mr. Chairman, and your distinguished colleagues for your continued support of the President's Committee and our mission.

The President of the United States has made employment of people with disabilities a top priority of his Administration and I am proud to have been appointed by him as the Chairman of the President's Committee. And, I am pleased to have this opportunity to testify on behalf of our fiscal year 1991 budget, because I believe that the Committee is one of the finest organizations in existence today working on behalf of people with disabilities in employment. The impact that has been made, and will continue to be made, by such a small organization working in cooperation with a cadre of volunteers is truly amazing. I attribute a great deal of the success and accomplishment of the President's Committee to the outstanding leadership of Jay Rochlin, our Executive Director.

The Committee's budget proposal for FY 1991 is $3,700,000 and 37 FTE. This budget provides $340,000 for the Job Accommodation Network (JAN) to retain the FY 1990 funding level; $744,000 for built-in increases; and a $76,000 program increase for travel. Included in the built-in increase of $744,000 is $500,000 for GSA space rental charges which is offset by a reduction in the Executive Direction activity.

There has been a lot of discussion about the traditional labor force in this country and how it will not keep pace with the expanding economy. Businesses must look to alternative sources to fill positions if they are to remain a competitive force in the global economy. People with disabilities can be a major labor resource but their potential and capabilities must be brought to the attention of employers. The more people that can be educated about the ability and availability of people with disabilities, the greater impact that can be made upon our nation's shortage of workers and the staggering unemployment rate of people with disabilities. Therefore, we have a historic opportunity to make a major impact on the needs of both employers and people with disabilities by creating a more productive and efficient society for all citizens of this great Nation.

Our FY 1991 budget request will assist us in doing that. These increases will allow the Committee to meet the increased demand for information by the public and employers on employment of people with disabilities. The need for this information is critical. The Job Accommodation Network along with many of the Committee's projects are tremendous tools for the business community to facilitate retraining workers who become disabled on the job and for hiring people with disabilities to fill their vacancies.

The goals and objectives of the Committee are twofold. First, the Committee will continue as the nation's leader in the study, development and implementation of the President's employment policies and programs serving the needs of people with disabilities and the needs of employers by: advising the Administration and consulting with Congress and Federal agencies on employment policy, legislation, administration and regulations; consulting with and fostering cooperation of agencies, groups and organizations essential to job preparation and employment of people with disabilities; utilizing to the greatest extent possible volunteers and people with disabilities in the design and delivery of Committee programs; strengthening our relationship with the media and our partnership with the network of Governors' and local Committees on Employment of People with Disabilities; and soliciting the views of persons with disabilities from throughout the nation and reflecting those perceptions in the direction and conduct of the Committee's programs.

Second, the President's Committee will provide information services to employers, labor, and people with disabilities by: gathering and disseminating technical assistance; increasing employer, union and employee awareness and understanding of why and how to expand job opportunities for veterans and all people with disabilities; focusing attention on the employment-related problems facing disadvantaged persons with disabilities, especially minorities with disabilities; increasing the responsiveness of our nation's employment-related training programs to the employment-related instructional needs of disadvantaged persons with disabilities, especially minorities with disabilities; facilitating the awareness of small business operators to the employment potential of people with disabilities; reducing the risks and disincentives associated with employing people with disabilities; and nurturing the development of incentives to both employers and potential workers with disabilities.

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Mr. Chairman, again, it has been an honor to appear before you today. I appreciate your interest and support in our efforts to insure that all citizens in this nation have the opportunity to achieve dignity and independence through productive employment. I'll be pleased at this time to address any questions that you and your colleagues may have.

Thank you.

Biographical Sketch

JUSTIN DART, Jr.

Chairman
President's Committee on Employment of People Disabilities

Mr. Dart was appointed Chairman of the President's Committee on Employment of People with Disabilities by President Bush on July 27, 1989. He also serves as the Chairperson of the Congressional Task Force on the Rights and Empowerment of Americans with Disabilities and as a Member of the Board of Trustees, the Dole Foundation.

Previously, Mr. Dart served as Member of the presidentially appointed National Council on Disability; President-elect of the National Rehabilitation Association; Commissioner, Rehabilitation Services Administration; Member and Chairperson of the Texas Governor's Committee for Persons with Disabilities; Chairperson of the Governor's Long Range Planning Group for Texans with Disabilities; and Member of the Texas Council on Disabilities. In addition, Mr. Dart has founded and served as Chief Executive Officer of three successful corporations, including Japan Tupperware, Ltd. Mr. Dart is the recipient of numerous awards, including: the first Humanitarian Award of the National Head Injury Foundation (now the Justin Dart Humanitarian Award); the President's Trophy, Disabled American of the Year; and the first Meritorious Public Service Award of the Coalition of Texans with Disabilities (now permanently named the Justin Dart Award).

Mr. Dart contracted polio in 1948 and has been a wheel chair user since that time. He received his B.S. in history and education and his M.S. in history from the University of Houston, and attended the University of Texas School of Law. He is the coauthor of "A Philosophical Foundation for Independent Living," and author of numerous articles and papers on disability policy and philosophy. Mr. Dart and his wife, Yoshiko Saji, reside in Washington, D.C., and Fort Davis, Texas.

BACKGROUND ON ASSISTANT SECRETARY FOR VETERANS

Mr. **Natcher**. Mr. Collins, we will start with you. I believe you stated that you have now served as Assistant Secretary for Veterans since October?

Mr. **Collins**. Yes, sir, Mr. Chairman. I was sworn in last October, 1989.

Mr. **Natcher**. Tell us a little about your previous employment background so we will have it in the record.

Mr. **Collins**. I had been an Air Force officer and a fighter pilot in Vietnam, having been a veteran of military service. I went into private business after leaving the service in my home state of Mississippi, in investment and finance. In August 1981, I was appointed to serve the veterans' agency in Mississippi, the Mississippi Veterans' Home Purchase Board.

I was a candidate for Congress in 1988. I was nominated by President Bush in 1989 to serve as Assistant Secretary of Labor for Veterans' Employment and Training.

REORGANIZATION

Mr. **Natcher**. Since taking over in this area, have you made any significant organizational changes?

Mr. **Collins**. Mr. Chairman, I proposed very recently a change in the national office functional organizational structure, not adding to or taking away from the positions of the organization but simply reorganizing the same resources to accomplish the functions of the agency at the national level.

I have proposed no changes in our field staff.

Mr. **Natcher**. Are your top agency positions all filled?

Mr. **Collins**. Yes, sir.

PRINCIPAL ASVET OBJECTIVES FOR FY 1990

Mr. **Natcher**. What are your principal objectives now for the coming year? What do you have in mind, Mr. Collins?

Mr. **Collins**. Starting with the restructure which I mentioned, I think we are now aligned to serve the needs I mentioned earlier.

They are so important I will repeat them. Our focus is on the veterans who served their country and now find it difficult to reenter this society and economy.

We are focusing on serving the veterans, those who are disabled, those who are homeless, which is an appalling fact to me, and very important to the individuals involved as well as to the future of this nation. A major fiscal year 1991 initiative will be our Transition Assistance Program (TAP). The basic concept of TAP will be to provide service members, within 180 days of separation, sufficient employment information and vocational guidance to allow them to make informed career choices.

STATE PROGRAMS

Mr. **Natcher**. The request before the committee for your program is essentially the same, no increases, that is for state programs. What about taking into consideration inflation?

How do you handle this? If you will, also tell us in your opinion if the budget that we have before the committee for the state programs is adequate for 1991?

Mr. COLLINS. We have a slight increase in the total dollar funding. Based on inflation trends and information primarily provided by the states on their costs, we will have insufficient funding for mandated positions.

Mr. NATCHER. How much would it cost in 1991 to provide the statutorily required staffing levels? Can you give us a figure?

Mr. COLLINS. Yes, Mr. Chairman.

As a general figure, and I have more detailed information I could provide later, approximately $12,000,000 would be required to fully fund state programs with no lapse rate or other disruptions.

Mr. NATCHER. Would the states be forced in some cases to lay off staff under your 1991 request?

Mr. COLLINS. Mr. Chairman, that is certainly a likely option although it is not clear that that would have to happen.

States, of course, could absorb costs. We are not expecting them to. So that is a likely option, yes, sir.

IMPACT OF 1990 SEQUESTER

Mr. NATCHER. What impact is the 1990 sequester under Gramm-Rudman-Hollings having on your state programs?

Mr. COLLINS. We will end this year, 1990, in a solvent posture. We, of course, did begin the year under a larger sequestration than realized. That has been taken into account and absorbed.

We will end 1990 in very good position as far as meeting all mandates.

Mr. NATCHER. Mr. Conte, I yield to you.

INCREASE FOR OFFICE OF THE SOLICITOR

Mr. CONTE. Mr. Chairman, having all these folks at this hearing about salaries reminds me of a saying that you can attract a lot more flies with honey than you can with vinegar. I guess we have a lot of honey here.

Mr. Komarek, it is good to have you and your colleagues with us. Let's start with Mr. Davis. You are requesting $6,600,000 increase for legal services division. That is almost a 10 percent increase. Why do you suddenly need 63 more employees and more money?

Mr. DAVIS. Mr. Conte, there are three factors that go into the increase. First of all, I don't think the Solicitor Office's budget kept pace with the overall volume being produced. So in many cases this is a catch-up budget.

The second factor is that we are frankly getting out-gunned in the federal courts by well-heeled opponents. Many is the time when we have to appear under-staffed and less well-prepared than we would like to be, for lack of time and resources. If the government wants to win a case, I think we should have the ability to win a case.

The third point is that the Secretary has made the decision and the President has forwarded a budget that has a pro-enforcement emphasis. We expect to bring more cases and litigate more cases and win them.

INCREASE FOR ERISA CASES

Mr. **Conte**. You mentioned that the ERISA cases are complex and last a long time. Your request for $1,400,000 increase and 33 FTEs is a sign of the times. How much time and FTEs does the typical ERISA case require? Will your request allow you to do your job?

Mr. **Davis**. The typical case in the ERISA area probably takes at least three or four times as long as any other case. I cannot give you the average number of months but I will supply that for the record.

[The information follows:]

ERISA Case Time Requirements

In an effort to determine the lifetime of the types of ERISA cases that have been referred to the Office of the Solicitor in the recent past, the history or referrals made in calandar years 1987 and 1988 to the national office division that does the ERISA work has been examined. Twenty-four percent of the 1987 referrals and 55 percent of the 1988 referrals remain open today. Because of that, the average time it will take to complete 1987-1988 referrals is not yet known. Of the cases that have been closed, however, 38 percent were closed within one year; most of the referrals in this category were closed because it was determined that litigation should not be pursued. The average lifetime of the remaining closed cases—which are the shortest-lived ones—was 19 months.

Mr. **Davis**. To give you an idea, the 10 biggest ERISA cases we have have an average shelf life of anywhere from two to three years of active litigation. That is a lot of trial time, lawyer time and deposition time. I am very confident that, if we can get this budget approved, we can make a very meaningful dent in violations of ERISA.

Mr. **Conte**. How about the 33 FTEs?

Mr. **Davis**. I would be delighted to have them.

Mr. **Conte**. I get you would be delighted.

Mr. **Davis**. But in the context of getting the job done, I think two things are going on: first of all, we are seeing more complex cases taking more complex resources. Further, with the proper enforcement emphasis, there will be more cases for us to litigate. I think 33 FTEs is a fair number to allow us to meet this need.

Mr. **Komarek**. Yesterday, the Secretary noted she was requesting 100 FTEs in ERISA enforcement staff for PWBA. They will probably generate 1,000 investigations and reporting compliance reviews each year, which will ultimately yield approximately 300 cases for enforcement by the Solicitor's Office.

Mr. **Davis**. I would like to make another point. We are also going to increase ERISA resources because we are taking cuts in other parts of the office. We are going to make do with fewer administrative staff so we can put more lawyers and paralegals to work.

IMPACT OF HOMEWORK INSPECTIONS

Mr. **Conte**. Mr. Davis, in fiscal year 1990 the Department will conduct over 2,000 homework inspections. And the enforcement "teeth" will bite down on industrial homework violators for the first time in 1990. What difference can we expect these "teeth" to make? Do they have any cavities in them?

Mr. **Davis.** I think we can focus our resources in a way that makes a difference through deterrence.

We are not out there for quantity of cases. I have spent a lot of time with Bill Brooks, the head of the Employment Standards Administration, discussing the strategy.

We want to find the big operator and the abusive operator. I don't want to spend lawyer time on nickel and dime cases. I want to find the people involved in gross dereliction of the law. I want to hit them with large fines and put these people out of business.

IMPACT OF THE INCREASE IN VIOLATIONS OF THE FLSA

Mr. **Conte.** Between 1983 and 1989, the number of violations of the child labor, part of the Fair Labor Standards Act, increased threefold. What have they meant for your division?

Mr. **Davis.** There has been an increase in our work related to the child labor violations. The Secretary is committed to an even more aggressive enforcement policy. That work load is of two types. First, we have to bring the cases and try to collect civil money penalties.

The second is going to federal courts and getting an injunction. Sometimes paying a civil penalty is just a cost of doing business and is not an effective deterrent; but if we can get an injunction and shut the illegal operator down, I think we can get the kids out of the sweat shops and back into school.

IMPACT OF FEDERAL PAY SCALE ON RECRUITMENT AND RETENTION

Mr. **Conte.** Given the federal pay scale, what problems do you have in getting these people and keeping them? You can give me an answer for the record on that.

[The information follows:]

Hiring and Retaining Attorneys

It is extremely difficult to compete with the private sector, which offers new law school graduates beginning salaries of $50,000 and more and offers experienced attorneys salaries of $80,000 or more. There has been a drop in the number of applicants seeking positions with the Office of the Solicitor (SOL) in the last decade, from over 2,000 per year in FY 1980 to approximately 350 in FY 1989.

In 1986, the SOL raised the entry level from GS-9 to GS-11 for attorneys in an effort to be more competitive in attracting new law school graduates. The SOL was also able to promote 50 percent of its staff attorneys to the GS-14 level, based on complexities of its workload. While both of these measures have helped to attract and retain qualified legal staff, considerable turnover exists. Through February, the SOL has lost 25 attorneys out of a total attorney staff of 500 at the beginning of FY 1990. This would equate to an attrition rate of 12 percent for attorneys in FY 1990, if sustained. The government-wide average attrition rate is 8 percent.

[Recess.]

INCREASE IN VETS ADMINISTRATION

Mr. **Natcher.** Now Mr. Collins, in contrast to your request for the two state programs, your request for the federal administrative costs is going up 11 percent. Does this seem a little out of balance to you, 11 percent, Mr. Collins?

Mr. **Collins.** Mr. Chairman, eight percent of that increase provides for mandatory costs for within-grade promotions, the general and executive pay raise, FECA, and additional day of pay in FY

1991, and non-personnel services. The other three percent provides additional funding for the TAP and replacement of out-dated personal computers.

Mr. **Natcher**. Why not provide a similar increase for your State programs, Mr. Collins? Is that possible?

Mr. **Collins**. With the existing funding, no, sir, that would not be possible. The request for the State programs took into account the impact of budgetary constraints.

Mr. **Natcher**. Mr. Collins, as far as the state programs are concerned, don't they have built-in costs, salaries, rent, et cetera?

Mr. **Collins**. Yes, sir. They provide us with that information.

Mr. **Natcher**. What would be the impact if the committee decided to freeze your federal administrative budget at the 1990 level? What about that, Mr. Collins?

Mr. **Collins**. Freezing the budget at the 1990 level would require the agency to absorb $1.3 million in built-in costs. Since practically everything that we do from the national office, the regional and state offices, as well as the state grants, is mandated it would be difficult to eliminate any programs. A one-month furlough of the entire agency would yield the required savings. Also, ASVET would not be able to continue its cooperative efforts on expanding the Transition Assistance Program or replace outdated personal computers.

Reduction for National Veterans' Training Institute

Mr. **Natcher**. Why have you reduced the National Veterans' Training Institute by $1,316,000 for 1991?

Mr. **Collins**. We have not desired to do that. It is a very valuable part of our organization to train our state people. The funding for NVTI was reduced to reflect budgetary constraints.

Mr. **Natcher**. This has been a successful operation, the National Veterans' Training Institute?

Mr. **Collins**. Yes, sir.

REPROGRAMMING REQUEST FROM NVTI IN 1990

Mr. **Natcher**. Tell us why you are planning to reprogram $428,000 from the Institute in 1990 for federal administration.

Mr. **Collins**. To reprogram in this year?

Mr. **Natcher**. 1990, yes. Take a look at page 22, Mr. Collins.

Mr. **Collins**. I will need to research that question if you have a moment.

Mr. **Natcher**. It is in the justifications there.

Mr. **Collins**. Yes, sir, I had to read it to see what you were referring to. That is to fund the federal salaries participating in the program.

Mr. **Komarek**. If I could add to that, I think you will see illustrations of that kind of activity throughout the entire Department's budget. What happened at the beginning of the year, Mr. Chairman, was that we had two unanticipated cost problems in all our budgets.

First of all, the Veterans' Training Office was subject to the 1.4 percent across the board Gramm-Rudman reduction. Then like the rest of the Federal Government we had to absorb effectively a 2.7 percent pay raise.

The pay increase was 3.6 percent for three-quarters of the year. So you see what is happening there and in many other places is that we are trying to look at ways where we can move money from account to account to cover the costs of this pay raise and the Gramm-Rudman reduction.

Mr. NATCHER. When will you submit this reprogramming request to the committee?

Mr. KOMAREK. We are working it through the process now. It should be up shortly.

Mr. NATCHER. What would happen if the committee did not approve the reprogramming? Where would that put you?

Mr. KOMAREK. My office, which does the financial work for Mr. Collins' office, would have to meet with him and determine other alternatives to absorb these costs. One of the possibilities would be for some of Mr. Collins' staff to go on furlough for a day or two during the balance of the year.

Another option would be to cut other kinds of contracts. But basically, what this money is used for more is to cover the costs of salaries. That is the reason for the move. There is nothing indicated that the Veterans' Training Institute is not doing a good job.

DEPARTMENTAL MANAGEMENT BUDGET INCREASE

Mr. NATCHER. Mr. Komarek, you and your colleagues are requesting $150,994,000 for the Departmental Management account including increases of $15,193,000 and decreases of $3,548,000. Overall, I believe this is an increase of 8.3 percent. Isn't this the largest increase that we have had in Departmental Management activities for some time?

Mr. KOMAREK. Yes, sir, Mr. Chairman, it is.

Mr. NATCHER. Tell us, if you will, not only whether it is the largest, tell us how you convinced OMB to do this. A lot of people want to know, Mr. Komarek, they want to know if you are going to copyright this idea or not.

Mr. KOMAREK. Well, there are several major components of this increase. One of the first major components are the increases in the Solicitor's Office. The Solicitor of Labor, Bob Davis, discussed that in answer to a question from Mr. Conte a few minutes ago.

The Solicitor's Office had fallen behind over the years in terms of staffing increases compared to the rest of the Department and this year with the Secretary's emphasis on enforcement, it was thought that we needed to staff up the Solicitor's Office by about 63 positions.

For example, in this area if you add 100 additional inspectors to increase ERISA enforcement, these additional inspectors will generate cases and the Solicitor's Office will need 33 FTE to handle that workload. That is one major area of increase.

A second major area of increase, Mr. Chairman, reflects the consolidation of some funds from around the Department. One of those areas is a $3,000,000 increase in the Office of the Assistant Secretary for Policy. We wanted to have $3,000,000 located there in research money to allow the Secretary to take a leadership role in looking at many of the issues that she is being charged to look at.

At the Secretary's hearing yesterday, I heard several of your colleagues ask her to take a look at different things. This $3,000,000 will enable her to do that. Another major component of the increase was a consolidation, again not a net increase for the Department but a consolidation of about eight to 10 FTE in the Office of Public Affairs to consolidate into one space into the Department some of the information functions that are spread throughout the Department and allow the Department to focus our public message a little better than we have.

Those are three of the major reasons for the increases.

DEPARTMENTAL MANAGEMENT ORGANIZATIONAL CHANGES

Mr. **Natcher**. Were there any significant organizational changes during the last year in the Department activities?

Mr. **Komarek**. No, none, Mr. Chairman.

Mr. **Natcher**. I yield to Mr. Conte.

ISSUES FACING WOMEN IN THE WORKPLACE

Mr. **Conte**. Ms. Bowland, the Women's Bureau has been monitoring the issues and challenges facing women in the workplace.

What are the top issues facing women today and how will they change in the decade ahead?

Ms. **Bowland**. There are four primary issue areas: work and family which has become an issue and will be an issue as the composition of the workforce changes between now and the year 2000. Our second overview issue is that of training. We believe because of the workforce changes that women must be trained in jobs that have self-sufficient income levels in non-traditional occupations.

Third, affirmative action, working to be certain that women are integrated in all levels of the workforce. Included are issues like the "glass ceiling" issue.

The last issue, one that is old but new with the Women's Bureau, has been around since 1921. It is the issue of safety and health. The new technological changes going on in society and the workplace today have created many safety and health issues such as the impact of VDT. Our primary focus has been to strengthen our advocacy role in the Department and create liaison with all departments to impact legislation and regulations affecting women in the workforce.

SUFFICIENCY OF RESOURCES

Mr. **Conte**. Does your budget provide adequate resources to respond to these changing needs of women?

Ms. **Bowland**. Yes. We believe that with very prudent management, we indeed can more than carry out our Congressional mandate.

PROPOSED REDUCTION FOR THE DISPLACED HOMEMAKERS NETWORK

Mr. **Conte**. You are proposing to cut the Displaced Homemakers Network and the Work and Family Clearinghouse by $540,000.

What effect will this cut have on the Women's Bureau ability to support the network?

Ms. Bowland. The original $540,000 was part of a Congressional add-on last year. And that did not allow us to ask for that additional appropriation.

In fiscal year 1991, the Displaced Homemakers Network, with whom we have good relations, whom we admire and believe have an extremely good program, will be in the posture of competing for funds, along with our other constituency groups from our normal program dollars.

DISPLACED HOMEMAKERS NETWORK 1990 PROGRAM PLANS

Mr. Conte. In 1990, the Displaced Homemakers Network will spend $540,000 for direct contracting expenses. What does that mean?

Ms. Bowland. In FY 1990, the Women's Bureau will be funding the Displaced Homemakers Network at $500,000. The DHN this year has a program of technical assistance and training to 10 States in over 200 local programs that provide technical assistance and training. Specifically, to entry-level displaced homemakers.

We believe it is an extremely important program.

DISPLACED HOMEMAKERS NETWORK OVERVIEW AND ASSESSMENT

Mr. Conte. For the record: Every year, Displaced Homemakers provide technical assistance to several States. What is the nature of that assistance? What evidence do you have that that assistance is useful, and also provide for the record a list of all the assistance that you have provided during the last two years, if you would get that for the record?

Ms. Bowland. Yes. I would be happy to.

[The information follows:]

DISPLACED HOMEMAKERS NETWORK (DHN)

BACKGROUND

For the past several years, the Women's Bureau has awarded a grant to the DHN to provide a range of training and technical assistance services geared towards increasing displaced homemakers' options for achieving economic self-sufficiency. Grants to the Network are awarded on a program year cycle (July 1 to June 30) to coincide with the funding of local displaced homemaker programs. This arrangement allows programs to more effectively utilize technical assistance from the Network and/or to participate in demonstration projects which parallel with their funding cycles.

Several months prior to each grant award, Women's Bureau staff meet with representatives of the Network to begin a process for designing a statement of work that addresses areas for the Network to deliver training and technical assistance in the upcoming grant year. Over the course of several weeks, draft proposals are developed and negotiated based on extensive input from the Bureau and the Network's staff and board. A final proposed work statement is agreed upon and the grant proposal is moved through the Department's procurement process.

The Bureau's involvement with the Network does not diminish after a grant is executed but rather, it intensifies. Bureau staff work closely with the Network in monitoring both programmatic and financial aspects of each grant. Our input is gauged by the complexity of grant provisions. For example, the grant for program year July 1988-June 1989 included, among other things, three distinct demonstration projects involving thirteen project sites. Bureau staff closely tracked progress on this activity throughout the grant period and devoted fifty percent of staff time in reviewing, and commenting on products developed by the Network under the grant.

Moreover, this program year (July 1989-June 1990) marked a new way in which the Network would be delivering training and technical assistance to local displaced homemaker programs. Both the Bureau and the Network worked cooperatively in redesigning the approach.

Overall, the Network's work statement for this and the previous grant period focused on two major areas: a) providing on-going technical assistance/support services upon request to local programs, state agencies, employers, and individuals, and b) conducting national model/demonstration projects designed to seek solutions to more difficult problems encountered by programs and displaced homemakers.

TECHNICAL ASSISTANCE AND SUPPORT SERVICES

As part of the technical assistance/support services portion of both grant periods, the Network was "on call" to provide information and support and assistance to a wide range of agencies, organizations and individuals. For grant periods 1988-

1989 and 1989-1990, the Network responded to more than 2,500 and 1,270 requests, respectively, for information from displaced homemakers who wrote or called seeking the services of a program in their community, displaced homemaker programs, state and federal legislatures and agencies, employers and the media. Requests ranged from programmatic concerns like data collection to requests about how to recruit displaced homemakers for the workforce. Information about various state initiatives in providing displaced homemaker services was also requested.

In addition, the Network initiated the annual dissemination of information to more than 1,000 local displaced homemaker programs on issues directly affecting delivery of employment, training and education services to approximately 400,000 displaced homemakers served by these programs. This included information about JTPA, financial aid, support services, regulatory requirements, literacy, older women, employer education, vocational education, earned income tax credit and others.

Other activities that are part of the Network's on-going technical assistance efforts include updating the previous year's national directory of local displaced homemaker programs. The Network and the Women's Bureau use the Directory to respond to displaced homemakers that contact our respective offices seeking referrals. The Network also maintains a national Resource Bank for exchange of expertise among programs, conducts training on topics including data collection, resource development and Workforce 2000 issues, makes various presentations at conferences, meetings, and other forums that reach more than 2,500 program providers. Details of these activities appear in the quarterly reports.

NATIONAL MODEL AND DEMONSTRATION PROJECTS

The model/demonstration component of the Network's grants have consistently focused on seeking solutions to persistent barriers faced either by local displaced homemaker programs or by displaced homemakers in general as they seek to enter the workforce. These projects have involved the selection of various local displaced homemaker programs nationwide to work with the Network in testing particular strategies or approaches.

The experiences of these programs have yielded information on how to strengthen services to respond to the diverse nature of the displaced homemaker population. In addition, the Network utilized this information by developing, with the Bureau's assistance, handbooks, guides, and technical assistance documents that other local programs can use to replicate successful strategies. The following are the model demonstration projects conducted during grant periods July 1988-June 1989 and July 1989-June 1990:

JULY 1988 TO JUNE 1989

An expansion of the 1986 minority outreach project was initiated in 1988 to test strategies for successfully serving minority women. Five local programs in Amarillo, TX, Hartford, CT, Seattle, WA; as well as original sites in Memphis and Wichita received training and technical assistance and as a result of their experiences; an updated handbook was developed and a final report submitted to the Bureau.

From 1987 through July 1989, the Network worked with five local programs in Columbus, OH, Duluth, MN, Great Falls, MT, Oklahoma City, OK (two programs) to test successful strategies for recruiting and serving displaced homemakers aged 45 years and older. The first phase of the project involved training and technical assistance to improve program services so that they are appropriate for older women. The second phase was directed at job development and job placement activities to encourage employers to hire older women. A manual for local program use was developed.

In conjunction with this project the Network worked with the American Association of Retired Persons (AARP) in developing a video entitled Partners in Change targeted to employers on the benefits of hiring older women. A kit for local programs to use with the video as part of job development activities was developed

A special effort was undertaken to identify the policy and programmatic barriers to participation of displaced homemakers in JTPA through intensive work with three local displaced homemaker programs Battle Creek, MI, Santa Fe, NM, and Glenns, VA. The Network provided the programs with extensive technical assistance and a final report with project findings was submitted to the Bureau.

The Bureau has seen positive outcomes for the pilot projects that have worked closely with the Network. For example, one of the programs participating in the JTPA project obtained for the first time contracts through their local private industry council to serve displaced homemakers. One of the projects participating in the older displaced homemaker project was awarded funds through the 3% older worker set-aside in JTPA because of the excellent services being provided to older women. Thus, where the Network was able to work closely with local programs, the benefits were greatly increased.

The Network also acquired a knowledge base across a broad area of service delivery issues as a result of these and other model/demonstration projects conducted in previous years. These include strategies for serving minority, rural, and older displaced homemakers, accessing JTPA, self-employment, data collection, outreach, resource development and job development and placement strategies.

DEMONSTRATION PROJECTS: JULY 1989 TO JUNE 1990

The Network implemented the State Technical Assistance and Training Effort (STATE) initiative. Based on past experience, both the Bureau and the Network agreed that the major drawback of a heavy investment of grant resources in model/demonstration projects was that only a handful of local programs were able to participate. While the participating programs benefitted greatly from the technical assistance provided by the Network on specific issues, a limited number of programs were reached.

The handbooks and guides that have been developed are useful tools, but they also have their limitations. States and local communities each have their own unique social, economic and political climate that drives the way that programs approach a specific issue. Although the manuals concentrate on universal problems and possible solutions, it is impossible to anticipate or include every scenario. Through "customized" technical assistance states or local programs can more effectively tackle a concern in a comprehensive manner.

For these reasons, the Bureau and the Network took a new approach for delivering needed technical assistance and training services. The work of the Network was redesigned to combine the positive aspects of the Network's past technical assistance and model/demonstration efforts. This approach concentrates resources on work at the state level, which increases the number of local programs that benefit from working in a close intensive manner with the Network. This state level activity replaced the model/demonstration component of prior grants and the budget was increased to support increased staff and travel support required to carry out the project.

The STATE initiative concentrates technical assistance efforts on one state from each of the ten regions. By working intensely in ten states, the Network is reaching more than 200 local programs that serve approximately 40,000 displaced homemakers annually.

This new approach seeks to actively involve states and programs in identifying and addressing their particular technical assistance and training needs. Before the program year begins, the Network assists the states in each region in assessing their strengths and areas in which they could benefit from assistance by the Network. This assessment is conducted through the use of a written assessment survey. Following the states' self-assessment, representatives of each state in a region meet and decide which state will participate in STATE during that program year. Regions are asked to make this selection based on which state is most likely to benefit or make progress as a result of the technical assistance and training they would receive.

In 1989 - 1990, the following states are participating: Vermont, Puerto Rico, Virginia, Mississippi, South Carolina, Indiana, Texas, Nebraska, South Dakota, California and Idaho.

JULY 1989 TO JUNE 1990 CONTINUED

Once each region has selected a state for participation, Network staff begin working with each program in the state. Each program receives personal contact from Network staff, explaining the STATE initiative and offering technical assistance as needed. Each program in a selected state is then invited to attend an initial statewide meeting to identify individual program needs for training and technical assistance. Network staff assist the programs to identify one or two common areas of need. At this session, programs also set general goals for how they will proceed during the coming months to make use of the training.

Areas in which training and technical assistance are available include: serving older displaced homemakers, serving rural women, resource development, program management, serving women of color, non-traditional training, understanding vocational education set-aside systems, accessing JTPA, data collection, building institutional and community support, self-employment, job development and placement, working with the media, JOBS program, public education, long-range planning, and employer education. The bulk of the project's efforts for the remainder of the program year focus on the areas chosen by the programs.

During the course of the program year, Network staff design and deliver two customized, one- to two-day training sessions for the programs in each of the ten states. In addition, technical assistance is offered on a one-on-one basis to all the programs in the state on issues of concern to them. As part of each training session, programs set specific goals they would like to achieve in that technical area. Programs identify specific steps they will take to achieve each goal. Network staff provide ongoing technical assistance to programs to aid them in the achievement of these goals.

Programs in the ten states have selected a wide variety of topics on which they are receiving training. Areas include resource development, serving rural women, data collection, building institutional and community support, public education, working with the JOBS program, and accessing JTPA.

In the first eight months of the STATE initiative, programs have responded positively to the individualized attention they are receiving from Network technical assistance staff. Requests from programs for information and technical assistance have increased as a result.

Two states have received training in data collection and, as a result, have taken steps to implement a data collection system on a statewide basis with the support of the state sex equity coordinators who administer Perkins Act set-aside funds. A state that received training in public education began immediately to develop news releases and other program promotion tools to publicize the programs in that state. In each state, the information and strategies offered in the training have been made immediately applicable through the goals the programs set. Having specific goals and objectives encourages programs to follow through and initiate new activities.

At the close of the program year, programs will set one-year goals for continuing progress in the areas they have chosen. Network and Bureau staff will continue to follow-up on these goals with programs in subsequent years.

In order to evaluate more precisely the effectiveness of the STATE initiative, the Bureau has begun an extensive evaluation process of the project in cooperation with the Network. Both program and evaluation staff from the Bureau are monitoring progress, reviewing materials, attending training sessions, visiting programs, and are also conducting interviews with Network staff as part of this effort.

In addition, programs attending the training sessions complete evaluation forms developed by the Network. Network and Bureau staff meet regularly to assess the progress of the project and make adjustments as needed to improve the delivery of training and technical assistance.

As the evaluation process unfolds, the Bureau will advise the Network on which elements of the project need to be refined and which appear to be working especially well. The Network has expressed a strong commitment to working with the Bureau to make continued improvements in the project.

DEPARTMENT OF LABOR'S NEW ACCOUNTING SYSTEM

Mr. CONTE. Mr. Komarek, you just installed a new accounting system. What can you do now that you couldn't do before you had that accounting system?

Mr. KOMAREK. Actually, there are some things you can't do now that you could do before.

One of the reasons we put the new accounting system in is the old system did not meet GAO or Treasury Department standards. There were not enough edits built into the old system. It did not preclude managers from doing some things with the financial network that they should not have been allowed to do.

So, we have begun to implement a new system at the Department of Labor which will meet these standards, and will ensure that, to the extent that any accounting system can, all funds are properly accounted for.

Another major accomplishment of this system will be that it will be more timely. Currently, reports under the old system took six weeks to generate. We expect a new system to be able to generate them three weeks to four weeks after the end of the quarter.

Another advancement in this new system will allow for a person to have interactive clerical capability to go in at any point in time and ask the status of any financial transaction.

So, the reason we are doing it, Mr. Conte, is to put the Department of Labor in a position where we can be very, very sure that all the financial information that we use is accurate and timely.

REQUEST FOR RESEARCH AND DEVELOPMENT FUNDS

Mr. CONTE. Mr. Droitsch, you are requesting a $3,000,000 increase in research and development funds for the Office of Assistant Secretary for Policy. I guess that means you want to do some studies.

Mr. DROITSCH. Yes, sir.

Mr. CONTE. How were those studies selected? You are lucky Mr. Early is not here. He is dead set against studies, believe me. Go ahead.

Mr. DROITSCH. This money represents a consolidation of efforts of funds from within the Department. It is a reflection really of the very high profile the Secretary is placing in this area, to put this effort in the Office of Policy, particularly under the guidance of Assistant Secretary Jennifer Dorn.

Basically, we are in a planning phase, examining the best way to research this issue. I can give you some idea of the direction that this money is aimed at. The basic underlying reason for this research is to try to figure out a way to better close the skills gap between American workers and the needs of employers in the workplace, and specifically the increased technical needs in the workplace.

That gap has been a matter of national debate, and addressed frequently in many different forums, but it is very clearly an incredibly important area for the Department to work on.

This gap can be seen in several places in the workforce, but the best shorthand describing the problem is first with the youth coming out of the educational system, and secondly with the existing work force, particularly as the jobs change and the technical requirements of jobs increase.

There are four tentative areas that we are looking at in terms of a research program. One is to do research in the area of the school-to-work transition. This is the difficult area where you have high school graduates who leave school, graduate, and then kind of float around for several years in suboptimum jobs before they connect up with a good job.

The type of work that we are trying to explore is to look at certain models whereby instead of just being dumped out into the workplace, that they integrate work experience while they are at school through increased job training efforts. Another approach perhaps is to stretch out graduation for a couple of years, instead of a 12-year program, maybe we should explore a 14-year program.

Another area of research is on training incentives. There is a series of training institutes that have been run by large corporations, that are rich enough to establish a training institute. We are seeing interesting developments where a consortium of smaller companies that have common workplace training needs are putting similar situations together.

This would be a very interesting area to examine more closely to see whether incentives for that approach can be enhanced.

A third area is to take a look at the child care services being provided by employers, to see whether there are productivity enhancements to be gained by enabling workers with children to have improved day care facilities at the workplace.

And lastly, we would like to explore the possibility of a work force quality clearinghouse, that would be a resource where good ideas in the workplace could be collected and the information spread.

Again, I want to stress that this research program is not nailed down, but these are the kinds of things that this research would be directed at, sir.

Mr. Conte. You can, for the record, give us more detail, description and a completion date for each one.

Mr. Droitsch. Yes, sir. We are not quite that far, but we can give you considerably more detail.

Mr. Conte. Yes. I think you can.

[The information follows:]

RESEARCH AND DEVELOPMENT PLANS

For FY 1991, the Office of the Assistant Secretary for Policy (OASP) is requesting an additional $3,000,000 to support research and development in the areas of child care, work force skills and training incentives, school-to-work assistance, and work force quality. Each of these areas is discussed in more detail below:

CHILD CARE

The first child care research project will assess the benefits of a greater social investment in child care to low-income mothers and to society in general. These benefits may be realized through increased employment, hours worked and earnings. The analysis will proceed by comparing the behavior and experiences of low income mothers who have access to different levels of subsidized child care support services. This part of the child care research effort is projected to cost $200,000 and will begin October 1, 1990. Interim evaluation reports will be due at six month intervals and the completion date is September 30, 1992.

The second child care research project will evaluate the costs and benefits to employers of providing various levels and kinds of child care services to their employees. The kinds of services to be evaluated and compared will be (a) information and referral services, (b) the payment of part of an employee's child care costs in the form of vouchers, and (c) the provision of on-site child care centers at or near the place of employment. The benefits to employers could be in the form of reduced recruitment and training costs, lower absenteeism, lower employee turnover, improved morale and increased productivity. This part of the child care research effort is projected to cost $600,000 and will begin October 1, 1990. One interim report will be due on September 30, 1991 and the completion date is September 30, 1991.

WORK FORCE SKILL AND TRAINING INCENTIVES

This will be a large-scale study of an urban labor market to assess the quality and training readiness of the entry level work force. The literacy and readiness for training of the entry level work force and the requirements of entry level jobs will be studied to see if there is a serious mismatch between the requirements of the jobs and the abilities of the entering work force. The processes of how employers recruit their work forces, how labor force entrants get allocated across the various jobs in the labor market, and how the work force acquires the various skills needed for the jobs will be studied to see if there are inefficiencies that could be alleviated by government policy and programs. The work force sample will be given follow up interviews in order to allow longitudinal analyses of their experience.

The methodology will be to choose random samples of workers with 5 years or less work experience covering a wide range of occupations and skills and working in a cross section of industries, and samples of new high school, community college, and college graduates First, a sample of establishments, stratified by industry, will be chosen and interviews of managers and personnel directors at these establishments will be accomplished. In addition, a sample of high school graduates, community college graduates, and college graduates will be chosen. Then a sample of workers at the sampled establishments will be interviewed. Data from these interviews will be combined with data from school records and personnel records to accomplish analyses of work force recruitment, quality, and readiness for training.

The study will assess the degree of inefficiency in matching workers to jobs, the extent of the basic skill deficiency in the entry level work force, the incentives to employers for providing training to their work forces, and whether employers provide too little training from a social perspective. Such assessments will assist in determining whether there is a need for government labor market programs that provide incentives to training and that can help match workers to jobs more efficiently. The projected cost is $600,000 and research will begin October 1, 1990. Interim reports will be due on September 30, 1991 and September 30, 1992 and the completion date is September 30, 1993.

SCHOOL-TO-WORK MODELS

This project will test four or five alternative models of assisting youth in making an orderly transition from school to work, with an emphasis on integrating education and work experience. Work will begin October 1, 1990 and the projected cost is $1,500,000.

WORK FORCE QUALITY

This project will develop and maintain a national clearinghouse for the purpose of disseminating information on innovative employer practices in building and maintaining a quality work force. Continuous surveys will be needed to build, refine, and maintain a high quality data base. Work will begin October 1, 1990 and the projected cost is $100,000.

INCREASE FOR DRUG AND ALCOHOL RESEARCH FUNDS

Mr. CONTE. And the Anti-Drug Abuse Act of 1988 requires the Office of Assistant Secretary for Policy to complete a national grant program to help employers develop drug and alcohol abuse programs, and you are requesting $500,000 for that purpose.

For the record, what will this program do? Will it fund demonstrations, or will it be replete—replications?

Mr. DROITSCH. The $500,000 really is an increase onto a base of an existing $2,000,000 which was appropriated in fiscal year 1990. We, with the assistance of OSHA, have put out about 23 grants. The purpose of these grants, as reflected in the statute, is to promote employee assistance programs among employers. In determining how these grants were last deployed, we found that while large corporations have the resources and ability to establish Employee Assistance Programs (EAP), the smaller and medium sized businesses do not.

The direction and focus of the grants is to see whether we can encourage a consortia to provide EAP services. For example, in a city or a town, something like a Chamber of Commerce or a hospital system or an entire school system would put together a consortium that could service that area or institution.

Those 23 grants have just been let and the additional funding requested here would go in that same direction.

Mr. CONTE. OK.

And for the record now, you don't have to answer it, get me grants and please describe a description of the eligibility requirements, and the implementation schedule for the grant programs, for the record.

Mr. DROITSCH. Yes, sir.

[The information follows:]

DRUG AND ALCOHOL ABUSE GRANT PROGRAMS

For FY 1990, the Office of the Assistant Secretary for Policy (OASP) received an additional $2,000,000 for the purpose of continuing to fund a national grant program that was initiated in FY 1989 to help employers develop drug and alcohol abuse programs. To date, 23 grants have been awarded, all in FY 1989. The additional funds have been used to continue funding the grants, to cover costs associated with administering and overseeing the grants, and to support other research and prevention activities designed to establish and improve workplace substance abuse programs. For FY 1991, an additional $500,000 is being requested for workplace substance abuse grants, bringing the total amount available for this purpose to $2.5 million.

Eligibility for the FY 1989 grant program included any nonprofit organization which was an employer or a representative of a group of employers. Since then, no new eligibility requirements have been established because the additional funding for FY 1990 continued, rather than expanded, the employee assistance grant program established in FY 1989. Should funding for a new grant program be available in FY 1991, different eligibility requirements could be established within the language of the authorizing legislation.

BACKLOG IN THE OFFICE OF ADMINISTRATIVE APPEALS

Mr. CONTE. Ms. Culbreth, you are projecting that at the end of 1991, the Office of Administrative Appeals will have a two-year backlog of cases. From the sounds of things, OAA is maintaining a backlog this year. Two years is a long time. What is going on here?

Ms. **Culbreth**. Yes, Mr. Conte. The Office of Administrative Appeals has a small staff. We have for a long time had a very small staff, and each year, the backlog has continued to creep up on us.

We have under way at the present time a directive to us from the Deputy Secretary to try to concentrate our efforts in particular on some of the older cases that have been pending to try to reduce the length of the backlog.

Another important aspect that has created the buildup in the backlog, I believe, is that many of the cases that are coming forward to us are more difficult than many of the cases that used to be forwarded to the office.

There are more complex issues, there are more sensitive, difficult issues, and many of the cases that we have pending have very, very extensive records and take quite a long time to complete the review in even one case.

Mr. **Conte**. How much would it take for you to reduce your backlog?

Ms. **Culbreth**. It would help a lot if we were able to fill completely all of the full-time positions that have been authorized for us.

Mr. **Conte**. And how many don't you have, though?

Ms. **Culbreth**. At the present time, we have 21 FTE positions, and we have 18 staff positions at the present time.

Mr. **Conte**. Wait a minute. You say 21, 18. How many are filled?

Ms. **Culbreth**. Eighteen are filled.

Mr. **Conte**. Out of 21.

You would only need three more. That would be easy to get.

Ms. **Culbreth**. Well, things have not been so easy to get.

Mr. **Conte**. Why aren't they easy to get? Salaries?

Ms. **Culbreth**. Well, salaries are certainly an aspect of it, but the primary reason is that our office, like all the rest of the Department, is very much aware of the budget constraints. We have to absorb the pay increases and we also have to live with the reality of the sequestration and the consequences of that, and the very serious demands in other areas of the Department where there are great needs. The Secretary is doing her best, I am sure, to try to balance all of these needs.

Mr. **Conte**. That is the answer I want. Thank you.

Ms. **Culbreth**. I am not sure I am glad I gave that to you, sir.

Mr. **Conte**. Well, you are being honest.

BLACK LUNG BACKLOG AT THE BENEFITS REVIEW BOARD

Mr. **Natcher**. Mr. Komarek, where do you stand now with the black lung appeals backlog at the Benefits Review Board? How do we stand?

Mr. **Komarek**. Mr. Chairman, we still have a backlog, and we are very concerned about that. As you look at the charts in our budget submission, you will see that our budget proposal for fiscal year 1991 allows us to continue to reduce that backlog, but we will still have it.

This fiscal year, we have a particular problem again in the Benefits Review Board in terms of absorbing the cost of the pay raise and the effect of Gramm-Rudman targets, just as in the Office of

Administrative Appeals. So, we are aware that we have that backlog. We are working at it, as the budget submission indicates, we will be reducing it and we will keep trying to reduce it within as quick a time as we can, Mr. Chairman.

DETERMINATION OF BACKLOG

Mr. **Natcher**. Mr. Komarek, how do you define "backlog" in this program?

Mr. **Komarek**. Well, in this program, the term "backlog" in my mind, and different people think of this in different ways, is anything that is over one year old. The first year that you have the cases, generally, they are work in progress. If they get much more than one year old, both at the Office of Administrative Law Judges and the Benefits Review Board, they tend to be considered in backlog status.

NUMBER AND AVERAGE AGE OF BACKLOGGED BLACK LUNG APPEALS

Mr. **Natcher**. How many cases are currently in this process?

Mr. **Komarek**. In the Benefits Review Board, Mr. Chairman, at the end of fiscal year 1989, we had pending appeals there of 6,598. We hope, Mr. Chairman, by the end of fiscal year 1991, the end of this budget year, to have that down in the five to 6,000 range.

Mr. **Natcher**. In order to work though the entire backlog, what are we talking about from the standpoint of months, years? About how long, Mr. Komarek?

Mr. **Komarek**. Well, given the assumption that a backlog is anything over a year, we would say there is something less than a year's backlog.

BENEFITS REVIEW BOARD VACANCIES

Mr. **Natcher**. How many staff vacancies does the Board now have?

Mr. **Komarek**. I think we would have to submit that for the record, Mr. Chairman, but the Benefits Review Board does have some staff vacancies. The reason for that is that they are trying to live within the dollar limits of their fiscal year 1990 appropriation. And the salary absorption and other cost increases have created some problems, and Judge Smith and the folks at the Benefits Review Board are understaffed at this point in time.

We will give you exact numbers for the record.

[The information follows:]

Vacancies at the Benefits Review Board

The Benefits Review Board has two vacant positions. It has 172 full-time permanent employees, seven other employees and an FTE ceiling of 181.

BENEFITS REVIEW BOARD STAFF REDUCTION

Mr. **Natcher**. Mr. Komarek, with the backlog like it is at the present time, why reduce 16 full-time employees in 1991 as far as the black lung staffing is concerned? Why make the reduction?

Mr. **Komarek**. The only reason I could offer, Mr. Chairman, is like many areas of the Department, with the Gramm-Rudman targets, we just were not able to ask for as many as we might like to.

We see the number of cases, the backlog going down; we see we are making progress, and we would like to have more in this area, but with the realities of the budget process, we are just not able to ask for anymore, Mr. Chairman.

INCREASE FOR THE PRESIDENT'S COMMITTEE

Mr. NATCHER. Now, Mr. Dart, you are asking, as you and I know, $3,700,000 for the President's Committee on Employment of People with Disabilities. This is an increase of $820,000, or 28 percent. Is this increase necessary, Mr. Dart, the full amount?

Mr. DART. I believe it is, Mr. Chairman. We have considerable built-in increases, and we are also facing, as you well know, a massive unemployment situation where two-thirds of our nation's citizens with disabilities out of the workforce.

MAIN OBJECTIVES FOR THE PRESIDENT'S COMMITTEE

Mr. NATCHER. What would you say the main objectives are now as far as the President's Committee, this coming year?

Mr. DART. Mr. Chairman, in spite of outstanding performances by people in rehabilitation, the President's Committee, the Congress and the Administration during the last 20 years, and although we have gained ground in terms, of the numbers of people with disabilities employed and the types of people with disabilities employed, we have lost ground in terms of the overall percentage of the disability population employed, from 40 percent to about 33 percent over the last two decades.

This is an intolerable situation, and I am determined that during my tenure as Chairman of the Committee, we are going to lay the foundation for breaking through this barrier, and creating a realistic agenda to reach full employment.

Mr. NATCHER. Thank you, Mr. Dart.

Mr. Conte, any additional questions?

Mr. CONTE. I have quite a few, and I will submit them for the record.

But I would like to ask Mr. Dart a couple of questions, Mr. Chairman.

Mr. NATCHER. Go right ahead.

VIEWS ON THE AMERICAN DISABILITY ACT

Mr. CONTE. The American Disability Act is being considered by the Congress. What do you think about that bill, and would it help?

Mr. DART. Mr. Conte, the Americans with Disabilities Act, of course, is not part of the responsibility of the agency which I chair. I would be delighted to give you my personal opinion, and as you may know, I have been associated with researching that Act in various Presidentially-appointed capacities over the last six or seven years. I think that the passage of that Act, as endorsed by the President and as passed by the Senate, is absolutely essential for implementing the equality and the productivity of people with disabilities, and indeed, to affect the employment of the two-thirds of the disability population that remains unemployed.

Mr. CONTE. All right. I appreciate that.

I happen to be a prime sponsor of that, first with Tony Coelho and after he left the Congress with Steny Hoyer.

Mr. **Dart**. I certainly congratulate you on that, sir.

Mr. **Conte**. Thank you.

The rest of the questions I will put in the record.

Mr. **Natcher**. We want to thank you, Mr. Komarek, Mr. Collins, and Mr. Dart, along with your associates, for the presentation today. It has been a good hearing. Thank you very much.

Mr. **Komarek**. Thank you very much.

[The following questions were submitted to be answered for the record and the justifications follows:]

BLACK LUNG RESOURCES

Mr. Natcher: How many staff in this entire account are currently devoted to black lung appeals?

Mr. Komarek: According to the records, there are currently approximately 101 staff at the Office of Administrative Law Judges, 142 staff at the Benefits Review Board, 96 staff at the Office of the Solicitor, and 4 staff at the Office of Assistant Secretary for Administration and Management devoted to Black Lung appeals adjudication, legal services, and management activities.

Mr. Natcher: On what basis do you expect the number of new Black Lung appeals docketed before the Benefits Review Board to go down in 1991?

Mr. Smith: The Benefits Review Board projected the number of appeals to be docketed based on the numbers of dispositions projected by the Office of Workers' Compensation Programs and the Office of Administrative Law Judges. Both of those offices projected lower numbers of dispositions for FY 1991, and therefore the Benefits Review Board's expected intake was also reduced.

Mr. Natcher: What was the appeal rate for Black Lung administrative law judge decisions in 1989 and what is it so far in 1990?

Mr. Smith: In FY 1989, the Office of Administrative Law Judges disposed of 6,133 Black Lung cases. The Benefits Review Board docketed 3,597 Black Lung appeals, of which approximately 2,851 were a result of Office of Administrative Law Judges dispositions. This equates to an appeal rate of roughly 46 percent. As of February 28, 1990 the Office of Administrative Law Judges disposed of approximately 1,700 Black Lung cases and the Benefits Review Board docketed 1,362 Black Lung appeals, of which approximately 900 were a result of Office of Administrative Law Judges dispositions. This equates to an appeal rate of roughly 53 percent.

Mr. Natcher: Are you confident that your overall Black Lung appeals staffing will be fully adequate under you 1991 budget request?

Mr. Komarek: Yes. At the Office of Administrative Law Judges, the budget request provided for continued no-backlog status. The recent 10th Circuit Court decision on Lukman is expected to create a 910 case, 3 month backlog at the Office of Administrative Law Judges. At the Benefits Review Board, the budget request provides for a reduced backlog. The Lukman decision is expected to further decrease the backlog at the Benefits Review Board by 510 cases. At the Office of the Solicitor, the budget request should enable participation in all cases where the Black Lung Disability Trust Fund is at risk and in responsible operator cases that raise issues of particular importance to the administration of the Black Lung Act.

ADMINISTRATIVE LAW JUDGES STAFFING LEVELS

Mr. Natcher: How many administrative law judges does the Department now have on board?

Mr. Komarek: According to the records, there are 79 administrative law judges now on board at the Office of Administrative Law Judges. There are also 4 administrative law judges detailed to the Benefits Review Board.

Mr. Natcher: Will that number decline in the coming year?

Mr. Komarek: This number may decline in the coming year as the Office of Administrative Law Judges positions itself for the requested FY 1991 FTE level.

Mr. Natcher: By how much?

Mr. Komarek: While it is difficult to say by how much the expected number of administrative law judges may decline at the Office of Administrative Law Judges, it could be, through attrition, up to 4 judges.

Mr. Natcher: Is the workload dropping significantly?

Mr. Komarek: Yes. The expected workload is dropping at the Office of Administrative Law Judges. The number of total Black Lung cases available (carryover cases plus new cases) was expected to drop from 8,028 in FY 1990 to 5,748 in FY 1991. The 10th Circuit Court's Lukman decision may change these numbers somewhat to 9,310 and 7,730, respectively. The number of total Longshore cases available is expected to drop from 7,985 in FY 1990 to 6,870 in FY 1991. The number of total Traditional cases available is expected to drop from 2,758 in FY 1990 to 2,733 in FY 1991.

OFFICE OF THE SOLICITOR WORKLOAD

Mr. Natcher: Do you have serious backlogs in the Solicitor's Office?

Mr. Davis: As of September 30, 1989, we had approximately 138,000 cases pending. This is an increase of 20,000 pending cases since FY 1986. Backlogs have developed in the Solicitor's Office program levels despite increased productivity levels. While not all of this work is within the control of the Solicitor's Office (i.e., some cases are awaiting action by the Office of the Administrative Law Judges, the Benefits Review Board, and other courts or the Department of Justice), it is an indication that we are not keeping pace with the increasing workload. The pending caseload is expected to continue increasing through FY 1991 as our incoming caseload increases.

ATTORNEY STAFFING LEVELS

Mr. Natcher: **How many lawyers do you have now, and how many more would you hire in 1991?**

Mr. Davis: As of February 28, 1990, the Office of the Solicitor had a total of 749 staff on board. Of that number, 476 were attorneys. Our requested increase and our proposed reassignment of positions would allow us to hire approximately 65 additional attorneys in FY 1991.

Mr. Natcher: **What do you mean by "litigation support services", and why do you need an increase for it?**

Mr. Davis: Litigation support services encompasses a number of services provided by a combination of government and contractor personnel. These services include: records management or filing, logging, controlling, numbering, copying, tabbing, and binding documents; indexing or extracting information from documents and recording it on coding forms for key entry and loading into a computer for subsequent retrieval; paralegal support or checking citations, maintaining documents; performing evidentiary research and liaison with court clerks; and reviewing previous testimony and locating relevant documents in preparation for depositions, motions, and trial; and data processing or designing and loading document surrogate and full text data bases; and searching full text, document surrogate, questionnaire, medical record, personnel, numerical and other like data bases to assist attorneys in their case analyses. We are requesting an increase for those litigation support services that are performed by contractors. Contractors currently provide valuable litigation support in several large cases including Fair Labor Standards Act, Occupational Safety and Health Administration program area, Office of Federal Contract Compliance Program area, and Employee Retirement Income Security Act program area cases. The litigation support workload is projected to increase substantially by FY 1991. We anticipate that the demand for litigation support, as well as contractor costs, will increase because our workload in these enforcement program areas is increasing. All of these program areas have already produced cases involving large numbers of discovery documents and/or defendants, and the program agencies are expected to continue the enforcement strategies that produce these types of major cases.

REQUEST FOR ADDITIONAL RESEARCH FUNDS

Mr. Natcher: In the Office of Assistant Secretary for Policy, you are requesting an additional $3,250,000 for research. Why is this necessary?

Mr. Droitsch: This research request is for the explicit purpose of supporting Secretary Dole's work force quality agenda, which she announced last October. The research will be used to fund the following major activities:

-- Research on School-to-Work Models: We will test alternative models of assisting youth in making an orderly transition from school to work, with an emphasis on integrating education and work experience. This effort will cost $1.5 million.

-- Research on Child Care: We will undertake research on the effects of employer-provided child assistance on employers and their work force, on employees and their labor supply, on welfare mothers and on the children. This research program will cost $800,000.

-- Research on Work Force Skills and Training Incentives: This will be a research program designed to get answers to such questions as to whether there is inefficiency in matching workers to jobs, what is the extent of the basic skill deficiency in the entry level work force, what are the incentives to employers for providing training to their work forces, and do employers provide too little training to their work forces from a social perspective. This will cost $600,000.

-- Work Force Quality Clearinghouse: We will build and maintain a national clearinghouse for the purpose of disseminating information on innovative employer practices in building and maintaining a quality work force. The surveys needed for FY 1991 to build, refine, and maintain a high quality data base will cost $100,000.

The Secretary places a very high priority on all the elements of this research agenda. She believes that it is critical to undertake sound research in order to allow the formulation of policy that has a firm empirical base.

Mr. Natcher: Are you cutting back on research in other agencies in the Department? To what extent?

Mr. Droitsch: Research in the Employment and Training Administration will be cut back by $3 million, almost exactly offsetting the increase in research in the Office of Assistant Secretary for Policy. This reflects a shift in research priorities. The new research agenda goes beyond the more programmatic basis of the ETA research program, which is more closely aligned with the current efficacy, efficiency, and development of the ETA programs such as Unemployment Insurance, JTPA, and the Employment Service. In addition, the activities in this research agenda are among the highest of the Secretary's priorities and will be basic to the further development of the Secretary's policy agenda. For these reasons the Secretary desires to keep the management of this research agenda within the Office of the Secretary.

Mr. Natcher: How much are you spending for research in 1990 from the Departmental Management account?

Mr. Droitsch: A total of $125,000 from Departmental Management's reimbursable account is available to let small research contracts in 1990. No funds are provided for research in the Departmental Management salaries and expenses appropriation in FY 1990.

Mr. Natcher: Will the additional funds all be awarded as contracts?

Mr. Droitsch: They will be a mixture of contracts and grants.

Mr. Natcher: Small contracts for the most part?

Mr. Droitsch: We envision contracts or grants of $200,000 to $300,000 each.

Mr. Natcher: Will they be competitive or sole-source?

Mr. Droitsch: More than 90 percent will be let on an competitive basis.

AGRICULTURAL LABOR STUDIES

Mr. Natcher: For the record, provide additional information on the agricultural labor studies you are doing, including cost information.

Mr. Droitsch: In order to carry out the Department of Labor's responsibilities to estimate the supply of seasonal agricultural workers under the Immigration Reform and Control Act, the Department is conducting national surveys of farm workers and potential farm workers, and local surveys of potential farm workers in specific areas in the United States. While these are not strictly R&D, since they are being accomplished in order to make specific estimates, they are agricultural labor studies. During FY 1989 and 1990 these included the following:

-- Study of exit and entry of seasonal agricultural workers from farm work using a national survey of farm workers called the National Agricultural Worker Survey (NAWS). Cost: $1,434,000 during FY 1990.

-- Study of potential agricultural workers using a survey of Employment Service applicants in significant agricultural counties. This survey is called the Potential Agricultural Worker Survey (PAWS). Cost: $291,000 during FY 1990.

-- Study of recruitment of farm workers in areas of potential farm worker supply. Cost: $413,000 during FY 1989.

DRUG ABUSE PROGRAMS

Mr. Natcher: Why do you need an increase of $500,000 for drug abuse programs?

Mr. Droitsch: In FY 1991, the additional $500,000 was requested to fund the workplace substance abuse grants, bringing the total amount available for this purpose to $2,500,000. The grants program is viewed as an excellent mechanism to encourage the private sector to establish employee assistance programs.

Mr. Natcher: How are you spending the 1990 drug money?

Mr. Droitsch: The major portion of the FY 1990 $2,000,000 will be used to continue funding into the second year the 23 EAP grants awarded in FY 1989 and to provide for administrative support and oversight to these grants. Remaining monies will be used to provide support to other research and prevention activities to establish and improve workplace substance abuse programs.

TRAVEL RESOURCES

Mr. Natcher: Overall, travel costs are going up by 19 percent in the Departmental Management account. What accounts for this?

Mr. Komarek: There are three reasons why Departmental Management is requesting an increase in travel resources of $574,000. First, there is a cost-of-living increase of $108,000. Second, there are three program increases that are integral components of the requested personnel increases. Specifically, there are requested increases of $2,000 that is a part of the requested FTE increase for the Bureau of International Labor Affairs, $86,000 that is part of the requested FTE increases for the Office of the Solicitor, and $2,000 that is part of the requested FTE increase for the Assistant Secretary for Policy. Third, there are two requested increases that are not tied to staff increases: $300,000 for the Office of the Solicitor and $76,000 for the President's Committee on Employment of People with Disabilities.

The travel portion of the Office of the Solicitor's requested personnel increases may be broken down as follows: $36,000 for the requested FTE increases for the Employee Retirement Income Security Act program area, $30,000 for the requested FTE increases for the Occupational Safety and Health Administration program area, $10,000 for the requested FTE increases for the Office of Federal Contract Compliance Programs program area, and $10,000 for the requested FTE increases for the Wage and Hour program area.

A travel increase of $300,000 is requested for the Office of the Solicitor to ensure that legal staff will be able to appear in essential cases and to depose critical witnesses, to convene managers for review and assessment on a quarterly basis, and to convene regular program-specific training sessions on changes in the law, changes in client agency policies and to discuss litigation strategies and techniques. The requested non-personnel services program increase of $76,000 for the President's Committee on Employment of People with Disabilities is to meet the demand by State committees for technical assistance information that is critical to employment of people with disabilities and for increased travel costs associated with planning and executing the President's Committee's annual meeting in Dallas, Texas.

ADVISORY AND ASSISTANCE SERVICES REPORT

Mr. Natcher: When can the Committee expect to receive the first quarterly report on consultant contracts required by Section 514 of the 1990 Appropriations Act?

Mr. Komarek: The Advisory and Assistance Services report for the first quarter of FY 1990 is being reviewed by the Department and will be transmitted to the Committee in the very near future.

DEPARTMENT OF LABOR SES POSITIONS

Mr. Natcher: For the record, Mr. Komarek, supply a table for the entire Department showing by agency the number of Senior Executive Service (SES) positions authorized and filled, broken down to show career and non-career positions.

Mr. Komarek: The information is provided on the following table.

DOL SES POSITIONS AUTHORIZED AND FILLED - MARCH 15, 1990

	Agency	Authorized	Filled		
			Career	Non-career	Vacant
1.	OSEC	8 (7G, 1CR)	3	5	0
2.	OIG	6 (CR)	6	0	0
3.	OPA	1 (G)	0	1	0
4.	OCIA	3 (G)	0	3	0
5.	OASP	3 (G)	3	0	0
6.	ILAB	3 (G)	2	1	0
7.	OASAM	12 (CR)	12	0	0
8.	SOL	23 (3G, 20CR)	22	1	0
9.	ESA	23 (18G, 5CR)	21	2	0
10.	OLMS	2 (CR)	2	0	0
11.	PWBA	8 (1G, 7CR)	7	1	0
12.	BLS	19 (CR)	19*	0	0
13.	ETA	27 (23G, 4CR)	26	1	0
14.	OSHA	20 (15G, 5CR)	19	1	0
15.	MSHA	9 (6G, 3CR)	8	1	0
16.	OASVET	1 (G)	0	1	0
17.	DOL Pool**	13 (10G, 3CR)	0	0	13 (10G, 3CR)
	TOTALS	181	150	18	13

NOTES:

1. SES General (G) positions may be filled by career, noncareer, or limited appointments.
2. SES Career-Reserved (CR) positions must be filled by career appointments.

* Two career appointments pending security clearance.

** Includes 2 of the additional spaces granted by OPM 7/28/88, for positions specified in DOL request (1G, 1CR).

DEPARTMENT OF LABOR SES BONUSES

Mr. Natcher: Also provide a table on Senior Executive Service bonuses by agency for 1988 and 1989 showing the following:

- -- the total amount spent for bonuses;
- -- the average bonus amount; and
- -- the highest and lowest bonus amounts for each agency.

Mr. Komarek: The information is provided on the following table.

DOL SES BONUSES - 1988 and 1989

	1988				1989			
AGENCY	TOTAL	AVERAGE	MINIMUM	MAXIMUM	TOTAL	AVERAGE	MINIMUM	MAXIMUM
BLS	$29,418	$4,203	$3,670	$5,285	$36,704	$4,588	$3,820	$6,112
ESA	$45,800	$3,817	$3,670	$4,022	$45,600	$4,145	$3,820	$5,100
ETA	$47,000	$4,700	$4,000	$7,000	$52,100	$4,342	$3,900	$7,500
ILAB	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
MSHA	$14,700	$4,900	$3,670	$5,515	$17,200	$4,300	$4,300	$4,300
OASAM	$22,000	$5,700	$4,000	$7,000	$19,500	$4,875	$4,000	$7,000
OASP	$7,445	$3,723	$3,670	$3,775	$11,500	$5,750	$5,000	$6,500
OIG	$10,500	$5,250	$4,500	$6,000	$12,000	$6,000	$4,000	$8,000
OLMS	$3,670	$3,670	$3,670	$3,670	-	-	-	-
OSEC	$25,750	$5,150	$3,875	$8,000	$28,035	$7,009	$4,035	$10,000
OSHA	$37,500	$6,250	$4,000	$9,500	$41,500	$5,929	$4,500	$9,500
PWBA	$12,600	$4,200	$3,690	$5,220	$15,100	$5,033	$4,000	$6,750
SOL	$42,000	$5,250	$4,000	$8,000	$48,100	$4,810	$4,000	$6,100
DOL	$303,383	$4,740	$3,670	$9,500	$332,339	$4,887	$3,820	$10,000

RENTAL COSTS

Mr. Natcher: For the record, provide a table showing space rental costs for each agency in the Department, along with the number of square feet, for 1989, 1990, and 1991.

Mr. Komarek: The following table shows the total square feet and rental costs for each agency:

RENTAL COSTS AND SQUARE FOOTAGE
(Dollars and Square Feet in Thousands)

AGENCY	FY 1989	FY 1990	FY 1991
EMPLOYMENT AND TRAINING ADMINISTRATION			
Square Feet:	379	382	375
Total Cost:	$8,877	$9,150	$9,503
LABOR MANAGEMENT SERVICES			
Square Feet:	226	229	245
Total Cost:	$5,300	$5,563	$6,197
EMPLOYMENT STANDARDS ADMINISTRATION			
Square Feet:	909	924	938
Total Cost:	$16,657	$17,171	$18,030
OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION			
Square Feet:	737	759	775
Total Cost:	$11,320	$11,334	$12,114
MINE SAFETY AND HEALTH ADMINISTRATION			
Square Feet:	882	878	878
Total Cost:	$6,535	$6,715	$6,916
BUREAU OF LABOR STATISTICS			
Square Feet:	362	367	366
Total Cost:	$7,932	$8,183	$8,052
DEPARTMENTAL MANAGEMENT			
Square Feet:	490	488	491
Total Cost:	$13,265	$14,122	$14,673
WORKING CAPITAL FUND			
Square Feet:	294	293	293
Total Cost:	$6,742	$6,262	$6,653
ASST. SECRETARY FOR VETERANS EMPLOYMENT & TRAINING			
Square Feet:	18	19	19
Total Cost:	$432	$467	$487
OFFICE OF THE INSPECTOR GENERAL			
Square Feet:	116	115	114
Total Cost:	$2,501	$2,961	$3,080
PENSION BENEFIT GUARANTY			
Square Feet:	180	180	180
Total Cost:	$3,909	$4,339	$4,768
TOTAL - DOL			
Square Feet:	4,593	4,634	4,674
Total Cost:	$83,470	$86,267	$90,473

DEPARTMENT OF LABOR TECHNOLOGY COSTS

Mr. Natcher: Also for the record, provide a table showing information technology costs for each agency in the Department for 1989, 1990, and 1991.

Mr. Komarek: The information is provided on the following table:

INFORMATION TECHNOLOGY COSTS ($000)

	1989	1990	1991
OASAM/DM	$18,192	$16,122	$14,941
BLS	26,713	26,151	27,827
ESA	35,119	34,048	32,804
ETA	18,794	16,071	15,191
LMS	15,721	18,028	16,527
MSHA	9,274	11,145	9,823
OIG	2,078	2,428	2,279
OSHA	13,663	13,108	13,925
PBGC	10,470	9,627	12,579
TOTALS	$150,024	$146,728	$145,896

DEPARTMENT OF LABOR TECHNOLOGY PLANS

Mr. Natcher: Also, describe any significant new information technology activities planned for 1991 throughout the Department.

Mr. Komarek: The only significant new information technology activity planned for FY 1991 is the replacement by OSHA of its ALTOS equipment.

MICROCOMPUTERS

Mr. Natcher: Give us an accounting of the number of microcomputers in each agency at the present time.

Mr. Komarek: The information is provided on the following table:

AGENCY OWNED MICROCOMPUTERS

AGENCY	NATIONAL OFFICE	REGIONAL OFFICES	TOTAL
ASP	39	0	39
ALJ	4	0	4
BLMRCP	49	0	49
BLS	1,252	190	1,442
BRB	6	0	6
ECAB	23	0	23
ESA	596	1,200	1,796
ETA	416	407	823
ILAB	24	10	34
MSHA	554	110	664
OASAM	688	61	749
OCIA	26	0	26
OIG	222	59	281
OLMS	49	66	115
OPA	21	20	41
OSHA	120	50	170
PWBA	55	55	110
SOL	461	47	508
VETS	40	61	101
WB	26	0	26
TOTAL	4,671	2,336	7,007

DRUG-FREE WORKPLACE ACT OF 1988

Mr. Natcher: Explain for the Committee what steps the Department of Labor has taken with respect to carrying out its responsibilities under the Drug-Free Workplace Act of 1988.

Mr. Komarek: The Drug Free Workplace Act of 1988 relies on the contracting and grant processes. The Department of Labor follows the Drug Free Workplace Act guidance for contracts set forth in the Federal Acquisition Regulation, and the Department was one of the signatories of the interim common rule which implemented the Act's requirements for grants and cooperative agreements.

The Department has distributed explanatory information on the Act to the its contracting and grant personnel through an internal newsletter. In addition, the Department has two publications on drugs and the workplace which are available free of charge to the public. The handouts are useful for contractors and grantees who are inquiring about employee drug programs, although they do not address the specific requirements of the Drug Free Workplace Act.

WORKING CAPITAL FUND

Mr. Natcher: What is the purpose of the bill language that you are requesting for the Working Capital Fund?

Mr. Komarek: The bill language proposes specific authority for the use of advances and/or reimbursements for building services rendered to Federal, State and local government and non-governmental entities.

Under a delegation agreement with the General Services Administration, the Department of Labor manages the Frances Perkins Building. Similar to the situation when GSA operated the building, there are capabilities and common areas which can be made available to other organizations. This includes making the auditorium and other public areas available for special events. To make these Departmental areas available, certain costs such as air conditioning, guard services, etc., are incurred by the Department for which reimbursement would be sought. Authority to obtain direct reimbursements from outside entities is needed for facility services rendered.

EASTERN EUROPE ACTIVITIES

Mr. Conte: Mr. Bond, for International Labor Affairs you are requesting an increase of one FTE and $324,000. All week we have been hearing about how active the Department is becoming in the international arena, with initiatives in the Soviet Union and Poland, for example. Is this enough to respond to this flourish of activity?

Mr. Bond: The proposed increase of one FTE and $324,000 is not related to our activities in Eastern Europe. Rather, the Support for East European Democracy (SEED) Act of 1989 authorized $5 million over three years for the Labor Department to carry out labor assistance programs in Poland and Hungary. Funds for this purpose are appropriated to the Agency for International Development, which in turn makes them available to the Department of Labor. In FY 1990, DOL labor assistance programs for Poland and Hungary will amount to $1.5 million. In FY 1991, we expect to develop a $2.5 million package of programs, with the balance of the $5 million to be spent in FY 1992.

LEGALIZATION PROGRAM

Mr. Conte: Mr. Bond, the ILAB is conducting a study of the reports developed for section 404 of Title of the Immigration Reform and Control Act. What are we learning about the impact of the legalization program?

Mr. Bond: The effects of legalization are still only beginning to unfold. It may take several years to fully quantify their scope and magnitude. Nonetheless, the ILAB Immigration staff has been monitoring available information to identify where the impact will to be felt most rapidly and most intensely.

Relevant findings in their first report on employer sanctions include the following.

Legalization effectively eliminated 3 million persons from the risk of apprehension when crossing the U.S. border. It is estimated that legalization alone explained a large share of the observed drop in border apprehensions since 1986.

-- The Legalization Application Processing System (LAPS) indicates that 54% of the applicants lived in California. Another 14% lived in Texas, while Illinois, New York and Florida collectively accounted for an additional 16%.

-- The LAPS data also indicate that 34% of applicants were operators, fabricators and laborers, 30% were in service occupations, and 15% reported precision production, craft and repair occupations.

-- The Legalized Population Survey, funded by the INS, indicates that at the time of application 30% held jobs in manufacturing. Another 50% were equally divided between retail trade and the service industries.

-- Eleven to 22 months after application, the same survey shows that 37% had left the jobs held at the time of application. Turnover was most rapid in agriculture and construction.

The Immigration and Naturalization Service is now preparing a Congressional report summarizing the Administration's current information on the legalized population.

ILAB will soon be funding a second legalized population survey. The purpose of this survey is to determine changes in the skills and labor market status of applicants during the four years following application. The RFP for this study will be distributed within the next two months with the survey to be completed during the Fall of 1991.

LONGSHORE STAFFING REQUEST

Mr. Conte: Mr. Litt, for the Office of Administrative Law Judges, you're proposing to reduce your staff for Longshore hearings by 6 FTEs and $432 thousand? How did you arrive at these figures?

Mr. Litt: The 6 FTEs was arrived at by determining how many dispositions we could reduce without generating backlogs. The pricing was handled by our budget office.

Mr. Baily: The $432,000 was derived as follows: $317,000 for personnel compensation, $46,000 for personnel benefits, $28,000 for GSA space rent and $41,000 for Working Capital Fund charges.

Mr. Conte: Mr. Litt, you're projecting that Office of Administrative Law Judges will handle 53 JTPA related cases in 1990. What is the nature of these cases?

Mr. Litt: JTPA cases usually involve cases where financial assistance has been denied, where a corrective action or sanction has been imposed by the Secretary, where funds have been terminated, or where audits have raised questions concerning the disposition of funds.

EMPLOYMENT OF PEOPLE WITH DISABILITIES

Mr. Conte: How many Disabled Americans are currently working?

Mr. Dart: According to a 1989 U.S. Census Bureau report, 35.7 percent of all working age males with disabilities work either full or part-time. The participation rate for all males working either full or part-time during the same period was 88 percent.

Mr. Conte: How does that compare to 25 years ago?

Mr. Dart: In 1982, the Census Bureau reported that 41.6 percent of all working age males with disabilities worked either full or part-time.In 1970 the Census Bureau reported that 58 percent of all working age males with disabilities worked either full or part-time. While women with disabilities showed a small increase over the period of 1970 to 1989 (1970 - 24 percent; 1982 - 23.5 percent; and, 1989 - 27.5 percent), women in general increased their labor force participation rate dramatically (1970 - 42 percent; and, 1989 - 69 percent). At the same time, those persons with disabilities who were working continued to lose earning power over the same period. These trends indicate that, rather than experiencing progress in this important area of social and economic concern, we may be steadily losing ground. Why this is so is not entirely clear. The fact that most of the growth in jobs over recent times has been in the area of small employers, the fact that work disincentives exist in both public and private disability insurance programs, the fact that barriers exists (including job discrimination), the fact that there are not adequate employment training programs for people with disabilities, and more, all may begin to explain the basic fact that we are steadily experiencing a decline in the percentage of people with disabilities participating in the Nation's labor force.

Mr. Conte: You've been working with Howard University to identify the especial employment need of minorities with disabilities. What has that work revealed?

Mr. Dart: Through the collaborative efforts of the President's Committee on Employment of People with Disabilities and Howard University, the fact that 82 percent of Black Americans with disabilities do not participate in the labor force has been corroborated by conducting minority symposia and analyzing data. Also, we have confirmed that, of the 18 percent of Black persons with disabilities who are employed, a large portion are underemployed.

In order to turn this enormous employment problem around for black Americans and other minorities with disabilities, the President's Committee and Howard University have recognized that differing approaches should be initiated to assist in solving the problem. For example, recruitment techniques should be varied to seek qualified minorities with disabilities. Employers should consider recruiting at locations where minorities might most likely be located.

Also, it is clear that service delivery personnel need to be more sensitive to the needs of people with disabilities. It is believed that more minorities with disabilities may more readily seek services and assistance if minority representation is increased within the service delivery system. Often, service delivery agencies are not sensitive to the cultural differences of minority people with disabilities. Minority persons with disabilities may refuse to pursue needed services if they think that they may be slighted or not seriously considered for assistance. At the last three minority symposia, it has been recommended that institutions of higher learning should actively recruit more minority students to enter rehabilitation counseling programs.

Further, it has been confirmed that many minorities with disabilities and their families are unaware of services, rights and privileges that they are entitled to. There is a need for an awareness campaign to inform minority persons with disabilities and their families about the various programs that are designed to assist them.

Increasing access to employment opportunities is essential. Our studies and information have shown that minorities and other minorities with disabilities often do not have the opportunity to enter the job market because of the lack of education and educational opportunities.

Mr. Conte: What other special projects are you engaged in?

Mr. Dart: We maintain an annual work plan that outlines all our special projects. I would like to highlight a few that we are especially proud of. First, we've just completed the production of two video tape programs. One is designed to alert all concerned with regard to the employment potential of people with disabilities and the community resources available to help assist this process. This video tape was done in cooperation with state vocational rehabilitation programs. The other video tape was completed with the support and assistance of both IBM and the Easter Seal Society. This program highlights a variety of job accommodations and helps employers and others understand the process of job accommodation. Other special projects include a new employer brochure designed to assist small employers hire, recruit and accommodate people with disabilities, a special conference on people with learning disabilities and employment, a new publication on JTPA and people with disabilities, two demonstration programs called High School/High Tech designed to encourage high school students with disabilities to consider and prepare for careers in high tech fields, a new publication on employment opportunities for disabled veterans, conferences on AIDS in the work place, minorities with disabilities and more.

Mr. Conte: How are things going with the Job Accommodation Network?

Mr. Dart: The president's Committee has awarded a grant in the amount of $340,000 to West Virginia University's R&T Center to continue operation of the Job Accommodation Network (JAN).

The quarter ended December 31, 1989 indicated that there are now 24,419 solutions in the database available to the human factors consultants who respond to calls from employers, rehabilitation professionals and people with disabilities. Total calls received in that quarter was 1,308, which is 21 percent increase over the same quarter a year ago. Total calls received since JAN began operation was 17,850.

Thirty-four percent of the calls requested information about accommodations. Thirty percent requested information about either hiring or retaining workers. Sixteen percent requested information in order to improve the work environment. Cases are becoming more complex as JAN'S reputation for quality service becomes more widely known. An evaluation of JAN reveals that 72 percent of the cases handled have resulted in a positive outcome.

JAN is now providing information to support centers set up by the technology-related Assistance for Individuals with Disabilities Act, 1988.

INCREASED BUDGET REQUEST FOR VETS

Mr. Conte: Mr. Collins, you are requesting a $1.7 million increase for Veterans' Employment and Training Program. Is that a cost of living increase?

Mr. Collins: The $1.7 million increase in the Federal Administration activity of the Veterans' Employment and Training Program provides $1.3 million for mandatory costs for within-grade promotions, the 1991 General and Executive pay raise, the Federal Employees' Compensation Act, an extra day of pay in 1991 and non-personnel services. Also $.2 million is provided for additional funding for the Transition Assistance Program and $.2 million for the replacement of out-dated personal computers.

DISABLED VETERANS

Mr. Conte: How many disabled veterans are there around the country?

Mr. Collins: According to the Department of Veterans' Affairs' Report RCS 20-0221, Veterans Receiving Compensation for Service-Connected Disabilities, there are 2,188,861 such disabled veterans in the United States. This data was compiled as of February 28, 1990.

Mr. Conte: I understand that only one-third of them are in the workforce. What's the problem?

Mr. Collins: The last complete study which supplies the estimated labor force participation status of disabled veterans was conducted in November of 1987 by the Bureau of Labor Statistics (BLS). That study shows that of the estimated 2,435,000 disabled veterans receiving disability compensation, 1,294,000 (55%) were in the civilian labor force, and 73,000 were unemployed (5.6%) at that time. Of the remaining 1,141,000 (49%) not in the labor force, 13,000 were listed as "going to school," and 122,000 were listed as "unable to work." Of the remaining 1,006,000 (43%), about 265,000 represent disabled veterans with a disability rating that exceeded 60% and were not in the civilian labor force. The Department of Veterans' Affairs considers veterans with such disability ratings to be "unemployable" and compensates them accordingly. Additionally, a large number of these (164,000) are believed to be at or close to retirement age.

Any disabled veteran rated at sixty percent or more, who is physically able to return to work and selects to reenter the labor market, must be certain that the net wages gained outweigh the resultant loss of disability compensation upon acceptance of employment. Those attempting to reenter the labor market following a long period of absence because of their disability may find it very difficult and discouraging to make this transition, despite the efforts of vocational rehabilitation counselors and our Disabled Veterans' Outreach Program specialists.

Among all disabled Vietnam era veterans, approximately 79% were in the civilian labor force. However, "among the Vietnam era veterans with disability ratings of 60 percent or higher, for example, only one-third were in the civilian labor force", according to the BLS study. While some are discouraged, or find it impractical to reenter the civilian labor force, 43,000 Vietnam era disabled veterans rated as entitled to 60% or more disability compensation are employed, which illustrates that efforts by DVOP and LVER staff, Department of Veterans' Affairs staff, and others are having a positive impact upon this prime working-age target group.

NATIONAL VETERANS' TRAINING INSTITUTE

Mr. Conte: How is the National Veterans' Training Institute going? Is it adequately funded?

· Mr. Collins: We are pleased with the quality of training that is being provided at NVTI as evidenced by the signing of a three-year contract, effective January 1, 1990, and retaining the site at the University of Colorado at Denver. A total of 2,867 participants received training in FY 1989. At the current pace, we will train almost 1,900 participants in FY 1990. We believe that the training being provided at NVTI is having a positive impact on both the level and quality of services provided veterans by DVOPs and LVERs. This is borne out by data regarding the number of veterans serviced, counseled, placed in training, and placed in jobs.

Within the resource constraints of the FY 1991 request, we allocated sufficient amounts to maintain our Federal staffing level at 288 FTE in order to continue providing the full range of activities and services required by law and by administrative requirements. The $829,000 requested for NVTI in 1991, compared to the level of $2,145,000 in FY 1990, will not sustain NVTI activities at the FY 1990 level. We are exploring options such as recompeting the contract with a lower funding level.

HOMELESS VETERANS

Mr. Conte: What about homeless veterans. Is that a big problem?

Mr. Collins: Studies on homeless we have reviewed show consistently that one third of the homeless are veterans. Our project experience in Homeless Veterans' Reintegration Projects (HVRP) supports these studies with their own local information. Although the estimated number of the homeless ranges from 300,000 to three (3) million, we are concerned that one-third of either is disproportionately high. These veterans in the streets and in shelters suffer from alcohol and drug abuse, post-traumatic stress disorder (PTSD), and other physical and emotional problems. Most are Vietnam era with the average age being between 35 and 50 years of age. The veterans are better educated on the average than the norm for homeless persons, but lack transferable or up-to-date skills. Our experience has been that some only need a little job search coaching to get back into the work force. Others need to complete treatment before they begin participation in employment or training directed programs.

We hope to have better data in the future. The Census Bureau will do a special one-night count of the homeless in the streets and shelters as part of the decennial census. This should provide a better indication of demographics about the homeless and homeless veterans.

Mr. Conte: How is your demonstration project doing? What have we learned so far about the problem of Homeless Vets?

Mr. Collins: Our projects have served over 5,500 homeless veterans over a one-year period. This number exceeds the projects' planned goals. Our projects have similarly been effective in terms of placing homeless veterans. Over 2,200 homeless veterans found employment with the help of our projects. This exceeded the projects' planned goals.

We are learning more each day as evaluation of the projects goes on. In general, our projects are small but creative, and effective in helping homeless veterans find employment and reintegrate into the labor force. We are also finding that although homeless, these veterans have some strengths that help in reintegration efforts. Furthermore, since there are support programs (VA assistance, our own employment and training programs, peer group support and other community linkages), the participants get whole person assistance in most instances and do finally join the mainstream population after program participation. On the other hand, we are finding that there are some areas where these community linkages are not there; that some homeless veterans, upon referral to the Department of Veterans' Affairs or Social Security Administration, are determined to be totally disabled; and that not all homeless veterans can be helped. There are instances where the age of the veteran, their disabilities or multiple problems prevent successful intervention in terms of reintegration into the labor force. Nevertheless, the projects' linkages offer a means of referral to appropriate services or providers in these situations.

In conclusion, we are very pleased with the results of these projects.

EMPLOYMENT OF PEOPLE WITH DISABILITIES

Mr. Dwyer: As you may know, the Americans with Disabilities Act may be enacted into law this year. The legislation has been endorsed by the Administration, passed by the Senate, and is progressing in the House. Will the President's Committee on Employment of People with Disabilities be initiating any new programs which would benefit the disabled as well as the business community after enactment?

Mr. Dart: The Americans with Disabilities Act is not part of the direct responsibilities of the President's Committee. However, the President's Committee is authorized in the employment provision of the proposed bill to provide technical assistance to employers and other entities if so requested by the Attorney General. As a result, the President's Committee is preparing to reorganize its programs so we can fully support the spirit and intent of the employment title of the proposed act. To this end, we have prepared our agency's post-ADA plan which commits this organization to this anticipated course of action. Our plan establishes both the commitment and process for our prospective operations. However, until the final act is signed into law, the actual elements cannot be fully determined. At this point, we envision re-ordering our information resource base behind the major components that will make-up the proposed law's employment title. For example, our informational resources might be organized behind such subjects as "recruitment", "accommodation", "training", "employment policy", "work place awareness" and more. These informational initiatives will, we trust, provide both the business and disability community with a national access point on how to respond to the mandates to be established by the employment title of the proposed law. At the same time, our plan will organize the development of media and other public informational and training efforts designed to alert both the business community and people with disabilities to the employment related opportunities presented by the proposed legislation.

Mr. Dwyer: Does the Commission currently provide any technical assistance to businesses which desire to employ handicapped individuals?

Mr. Dart: Yes, we do. The cornerstone of our effort is the Job Accommodation Network, providing accommodation information to employers seeking to hire, retain or advance applicants as employees with disabilities. We also conduct a year-round media effort designed to promote awareness, understanding and information on the employment potential of people with disabilities. This effort includes our coordination of the Nation's observance of the Congressionally mandated "National Disability/Employment Awareness Month." In addition, through mutual efforts with cooperating state and local committees on employment of people with disabilities and our counterparts at both the state and local level, our materials and information are widely communicated to the business community. Moreover, we develop training sessions and/or meetings, special materials and brochures as well as direct communications for and with the business community, answering their individual questions on subjects related to recruiting, placing, training and advancing people with disabilities in their work force. And, lastly, our "Annual Meeting" which attracts approximately 4,500 attendees, including many employers, is yet another way we strive to provide the business community with the awareness and information they need to respond positively to the employment aspirations of people with disabilities.

EAST EUROPEAN EVENTS AND THEIR EFFECT ON VETERANS

Mr. Dwyer: As you know, recent events in Eastern Europe have fostered expectations that the defense budget will be reduced and a number of servicemen and women will leave the service. If the number of active service personnel is reduced will the fiscal year 1991 budget request be sufficient to serve the transitional needs of these future veterans?

Mr. Collins: We do not yet have any firm numbers from the Department of Defense defining how many servicemembers will be discharged in FY 1991. The military services are expected to reduce some of their active duty complement by reducing accessions and thus not replace those servicemembers who leave. We also do not know how many of those who do leave the service will come to us for assistance in finding work.

Even though we do not have firm information on numbers of clients to expect, we have been working closely with the Department of Defense, the Department of Veterans Affairs, and the individual services to make sure that the Transition Assistance Program (TAP) helps us serve the maximum number of departing military servicemembers.

TAP will consist of a three-day Job Assistance Workshop that will be offered to separating and retiring servicemembers within 180 days of separation. The program will be implemented at 18 military bases in seven States this May. Local Veterans' Employment Representatives (LVERs) and Disabled Veterans' Outreach Program (DVOP) specialists from the States will deliver the workshops. As an adjunct to TAP, a special four-hour block of assistance has been developed for servicemembers being separated due to service-connected disability. The Disabled Transition Assistance Program (DTAP) will include participation of Department of Veterans' Affairs personnel and will be implemented at three military hospitals in May. Expansion for FY 1991 will include a total of 16 TAP sites and 12 DTAP hospitals. Additional expansion or realignment of proposed expansion may occur if DOD has a reduction in force.

By contacting many servicemembers before they separate from the military and providing labor market and other job search information to them, we plan to maximize the effectiveness of our available LVER and DVOP staff, whatever the number of separated servicemembers turns out to be.

JUSTIFICATION OF THE BUDGET ESTIMATES

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DEPARTMENTAL MANAGEMENT

SALARIES AND EXPENSES

For necessary expenses for Departmental Management, including the hire of 5 sedans, and including [$2,880,000] *$3,700,000* for the President's Committee on Employment of People With Disabilities, [$115,072,000] *$131,313,000* together with not to exceed $285,000 which may be expended from the Employment Security Administration account in the Unemployment Trust Fund. *(37 Stat. 736, 738; 63 Stat. 409; Department of Labor Appropriations Act, 1990.)*

[For an additional amount for substance abuse employee assistance programs in the workplace, $2,000,000.] *(Department of Transportation and Related Agencies Appropriations Act, 1990.)*

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	1,550	$118,424,000	1,554	$117,072,000	1,623	$131,313,000
Real transfer from:						
Employment Standards Administration, Black Lung Trust Fund to Administrative Law Judges, Longshore	+25	+1,445,000				
Comparative transfer to:						
Employment and Training Administration	0	-173,000				
Employment Standards Administration	0	-646,000				
Occupational Safety and Health Administration	0	-241,000				
Labor Management Service	0	-97,000				
Bureau of Labor Statistics	0	-237,000				
Office of the Inspector General	0	-101,000				
Veterans Employment and Training Service	0	-27,000				
Mine Safety and Health Administration	0	-272,000				
Subtotal	0	-1,794,000				
Comparative transfer to:						
Working Capital Fund from Legal Services	-1	0	-1	0		
Administration and Management	-1	0	-1	0		
Ceiling adjustment from:						
Employment and Training Administration	+1	+62,000	+1	+64,000		
Employment Standards Administration	+3	+187,000	+3	+194,000		
Occupational Safety and Health Administration	+2	+124,000	+2	+128,000		
Bureau of Labor Statistics	+2	+124,000	+2	+128,000		
Mine Safety and Health Administration	+2	+124,000	+2	+128,000		
Subtotal	+10	+621,000	+10	+642,000		

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
Comparative transfer from:						
State Department for International Labor Affairs	0	+74,000				
Bureau of Labor Statistics to the Assistant Secretary for Policy	0	+778,000				
Subtotal, appropriation (adjusted)	1,583	119,548,000	1,562	117,714,000	1,623	131,313,000
Offsetting collections from:						
Employment Security Administration Account, Unemployment Trust Fund	+8	+282,000	+8	+285,000	+8	+285,000
Employment Standards Administration, Black Lung Disability Trust Fund	+433	+24,833,000	+352	+21,350,000	+312	+19,396,000
Subtotal, Trust Funds	+441	+25,115,000	+360	+21,635,000	+320	+19,681,000
B. Total Available Budget Authority	2,024	144,663,000	1,922	139,349,000	1,943	150,994,000
C. Total, estimated obligations	2,024	$144,663,000	1,922	$139,349,000	1,943	$150,994,000

SUMMARY OF CHANGES

	1990	1991	Net Change
Budget Authority:			
General Funds	$117,714,000	$131,313,000	+$13,599,000
Trust Funds	21,635,000	19,681,000	-1,954,000
Total	$139,349,000	$150,994,000	+$11,645,000
Full-Time Equivalent:			
General Funds	1,562	1,623	+61
Trust Funds	360	320	-40
Total	1,922	1,943	+21

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
Explanation of Change:						
Increases:						
A. Built-In:						
Annualization of pay increase effective January 1990	0	+$54,000	0	+$838,000	0	+$892,000
One additional day of pay in FY 1991	0	+49,000	0	+320,000	0	+369,000
Part of general pay raise effective in January 1991	0	+70,000	0	+1,273,000	0	+1,343,000
Part of executive pay increase effective in January 1991	0	0	0	+794,000	0	+794,000
Within-grade promotions effective in FY 1991	0	+59,000	0	+1,245,000	0	+1,304,000
Federal Employees' Compensation Act	0	0	0	+163,000	0	+163,000
Employee benefits	0	0	0	+677,000	0	+677,000
Travel	0	+11,000	0	+97,000	0	+108,000
Transportation	0	0	0	+4,000	0	+4,000
Space rental	0	0	0	+407,000	0	+407,000
Other rent	0	+8,000	0	+72,000	0	+80,000
Printing and reproduction	0	0	0	+50,000	0	+50,000

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
Other services	0	+12,000	0	+220,000	0	+232,000
Working Capital Fund	0	0	0	+405,000	0	+405,000
Supplies and materials	0	+1,000	0	+226,000	0	+227,000
Equipment	0	+1,000	0	+18,000	0	+19,000
Subtotal	0	+265,000	0	+6,809,000	0	+7,074,000
B. Program:						
To provide for an increase in Executive Direction, Office of the Assistant Secretary for Policy to administer research contracts (1990 Base: 206 FTE; $20,144,000)	0	0	+1	+72,000	+1	+72,000
To provide for an increase in Executive Direction, Office of the Assistant Secretary for Policy for research contracts (1990 Base: 206 FTE; $20,144,000)	0	0	0	+250,000	0	+250,000
To provide for an increase in Executive Direction, Office of the Assistant Secretary for Policy for research and development activities to support Secretarial objectives (1990 Base: 206 FTE; $20,144,000)	0	0	0	+3,000,000	0	+3,000,000
To provide for an increase in Executive Direction, Office of the Assistant Secretary for Policy for workplace substance abuse activities (1990 Base: 206 FTE; $20,144,000)	0	0	0	+500,000	0	+500,000
To provide for an increase in Legal Services for increased travel (1990 Base: 783 FTE; $52,479,000)	0	0	0	+300,000	0	+300,000
To provide for an increase in Legal Services for stenographic services (1990 Base: 783 FTE; $52,479,000)	0	0	0	+300,000	0	+300,000

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
To provide for an increase in Legal Services for litigation support (1990 Base: 783 FTE; $52,479,000)...	0	0	0	+200,000	0	+200,000
To provide an increase for Legal Services to purchase personal computers (1990 Base: 783 FTE; $52,479,000)...	0	0	0	+300,000	0	+300,000
To provide an increase in Legal Services for increased ERISA case referrals (1990 Base: 783 FTE; $52,479,000)...	0	0	+33	+1,443,000	+33	+1,443,000
To provide an increase in Legal Services for increased Occupational Safety and Health case referrals (1990 Base: 783 FTE; $52,479,000)...	0	0	+18	+940,000	+18	+940,000
To provide an increase in Legal Services for increased Office of Federal Contract Compliance case referrals (1990 Base: 783 FTE; $52,479,000)...	0	0	+6	+314,000	+6	+314,000
To provide an increase in Legal Services for increased Wage and Hour case referrals (1990 Base: 783 FTE; $52,479,000)...	0	0	+6	+314,000	+6	+314,000
To provide for an increase in the Bureau of International Labor Affairs for policy analysis and related immigration research (1990 Base: 78 FTE; $6,917,000)......	0	0	+1	+51,000	+1	+51,000
To provide funding to the President's Committee on Employment of People with Disabilities for increased travel (1990 Base: 37 FTE; $3,624,000)......	0	0	0	+76,000	0	+76,000

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
To provide for an increase of additional staff and resources to the Women's Bureau to expand the Work and Family Clearinghouse Data Base (1990 Base: 80 FTE; $7,358,000)......	0	0	+2	+59,000	+2	+59,000
Subtotal..	0	0	+67	+8,119,000	+67	+8,119,000
Total Increases..............................	0	+265,000	+67	+14,928,000	+67	+15,193,000
Decreases:						
A. Program:						
To decrease one-time funding to International Labor Affairs for an ILO Grant to computerize a worker-rights index (1990 Base: 78 FTE; $6,917,000)......	0	0	0	-150,000	0	-150,000
To decrease one-time funding to the Women's Bureau for Displaced Homemakers Network (1990 Base: 80 FTE; $7,358,000)......	0	0	0	-540,000	0	-540,000
To decrease funding in the Office of Administrative Law Judges due to a decrease in Black Lung workload (1990 Base: 482 FTE; $30,508,000)...	-24	-1,560,000	0	0	-24	-1,560,000
To decrease funding in the Office of Administrative Law Judges to reflect a decrease in the Longshore workload (1990 Base: 482 FTE; $30,508,000)...	0	0	-6	-432,000	-6	-432,000
To provide a decrease in resources in the Benefits Review Board, Adjudication for decreases in workload in the Black Lung case areas (1990 Base: 482 FTE; $30,508,000)...	-16	-659,000	0	0	-16	-659,000
To provide for a reduction in contracts..	0	0	0	-207,000	0	-207,000
Total Decreases..........................	-40	-2,219,000	-6	-1,329,000	-46	-3,548,000
Total Net Change........................	-40	-$1,954,000	+61	+$13,599,000	+21	+$11,645,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable		1990 Appropriation		1990 Estimate 1/		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority applied to General Funds:										
1. Executive Direction	203	$19,756,000	196	$19,124,000	206	$19,766,000	207	$23,966,000	+1	+$4,200,000
2. Legal Services	709	45,407,000	703	44,997,000	702	44,997,000	765	51,523,000	+63	+6,526,000
3. International Labor Affairs	78	6,242,000	78	6,361,000	78	6,461,000	79	6,785,000	+1	+324,000
4. Administration and Management	206	22,685,000	185	19,955,000	186	19,781,000	186	20,541,000	0	+760,000
5. Adjudication	207	12,829,000	209	12,836,000	207	12,561,000	201	13,465,000	-6	+904,000
6. Promoting Employment of the Disabled	37	2,438,000	37	2,880,000	37	2,880,000	37	3,700,000	0	+820,000
7. Women's Bureau	80	6,504,000	80	6,803,000	80	6,978,000	82	6,848,000	+2	-130,000
8. Civil Rights	63	3,687,000	66	4,116,000	66	4,290,000	66	4,485,000	0	+195,000
Subtotal, General Funds	1,583	119,548,000	1,554	117,072,000	1,562	117,714,000	1,623	131,313,000	+61	+13,599,000
Budget Authority applied to Trust Funds:										
2. Legal Services	109	6,135,000	81	4,932,000	81	4,932,000	81	5,067,000	0	+135,000
4. Administration and Management	6	228,000	6	230,000	4	230,000	4	222,000	0	-8,000
5. Adjudication	326	18,752,000	273	16,473,000	275	16,473,000	235	14,392,000	-40	-2,081,000
Subtotal, Trust Funds	441	25,115,000	360	21,635,000	360	21,635,000	320	19,681,000	-40	-1,954,000
Total Budget Authority	2,024	144,663,000	1,914	138,707,000	1,922	139,349,000	1,943	150,994,000	+21	+11,645,000

1/ Included in 1990 Estimate:

Ceiling Adjustment to the Office of Public Affairs from:

Employment and Training Administration	$ 64,000 and 1 FTE.
Employment Standards Administration	$194,000 and 3 FTE.
Occupational Safety and Health Administration	$128,000 and 2 FTE.
Bureau of Labor Statistics	$128,000 and 2 FTE.
Mine Safety and Health Administration	$128,000 and 2 FTE.
Comparative transfer to the Working Capital Fund	$ -0- and 2 FTE.

DM-9

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions	1,842	1,851	1,872	+21
Full-time equivalent:				
Full-time in permanent positions	1,834	1,842	1,863	+21
Other positions	80	80	80	0
Total	1,914	1,922	1,943	0
Average ES salary	$79,043	$79,043	$97,000	+$17,957
Average GM/GS grade	11.47	11.47	11.50	+ 03
Average GM/GS salary	$44,339	$44,339	$44,380	+$41
Personnel compensation:				
Permanent positions	$75,083,000	$76,930,000	$81,477,000	+$4,547,000
Positions other than permanent	3,142,000	1,729,000	1,787,000	+58,000
Other personnel compensation	509,000	978,000	1,030,000	+52,000
Special personnel compensation	50,000	0	0	
Subtotal, personnel compensation	78,784,000	79,637,000	84,294,000	+4,657,000
Personnel benefits	13,120,000	13,727,000	14,813,000	+1,086,000
Travel and transportation of persons	3,116,000	3,053,000	3,627,000	+574,000
Transportation of things	101,000	99,000	103,000	+4,000
Space rental	14,100,000	13,816,000	14,360,000	+544,000
Communications, utilities, and other rent	3,623,000	3,161,000	3,276,000	+115,000
Printing and reproduction	550,000	538,000	588,000	+50,000
Other services 1/	24,266,000	23,294,000	27,236,000	+3,942,000
Supplies and materials	847,000	1,286,000	1,537,000	+251,000
Equipment	200,000	398,000	820,000	+422,000
Grants	0	340,000	340,000	0
Total, budget authority by object class	138,707,000	139,349,000	150,994,000	+11,645,000
Working Capital Fund obligations included above	($10,615,000)	($10,665,000)	($10,982,000)	(+317,000)
Advisory and assistance services included above	($1,383,000)	($1,383,000)	($1,175,000)	(-208,000)
Federal Employees' Retirement System contributions included above	($3,424,000)	($3,565,000)	($4,048,000)	(+483,000)
1/ Includes the following amounts for services of other Agencies:				
Departmental Management Reimbursables	(75,000)	(75,000)	(75,000)	(0)
Consumer Information Center	(10,000)	(10,000)	(10,000)	(0)
General Services Administration	(140,000)	(140,000)	(140,000)	(0)
Department of Labor Job Center	(15,000)	(15,000)	(0)	(-15,000)

DM-10

SIGNIFICANT ITEMS IN FY 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to be taken
1990 House Report (No. 101-172)	
No specific actions recommended.	
1990 Senate Report (No. 101-127)	
"The Committee has requested no later than 45 days after the end of each fiscal quarter, the head of each department submit a report to Congress on the amounts obligated and expended by the department for advisory and assistance services. A copy of the report will be transmitted to the Comptroller General of the United States. This report is due to the Executive Secretariat by February 14, 1990."	The report will be furnished.
1990 Conference Report (No. 101-274)	
No specific actions recommended.	

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request	
	1990 1/	1991 2/
Authorizing legislation containing indefinite authority:		
Act of 1913 to create a Department of Labor (37 Stat. 736; 29 U.S.C. 551 et. seq.)	$ 121,598,000	$ 132,985,000
Act to establish the Women's Bureau (Public Law 66-259; 29 U.S.C. 11)	6,978,000	6,848,000
Civil Rights Act of 1964 (Title VI) (42 U.S.C. 2000d)	4,290,000	4,485,000
Amendment to the Small Business Investment Act of 1958 (Public Law 95-507; 15 U.S.C. 661)	461,000	476,000
Rehabilitation Act Amendments of 1986 (Public Law 99-506; 29 U.S.C. 791)	3,380,000	3,700,000
Authorizing legislation containing specific authority:		
Anti-Drug Abuse Act of 1988 (Public Law 100-690; 21 U.S.C. 1501)	2,000,000	2,500,000

1/ Includes $285,000 in FY 1990 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $21,350,000 to be derived from the Black Lung Disability Trust Fund.

2/ Includes $285,000 in FY 1991 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $19,396,000 to be derived from the Black Lung Disability Trust Fund.

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APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1981	$ 130,170,000	$ 127,215,000	$ 0	$ 126,915,000
1982	135,350,000	150,596,000	143,042,000	137,889,000
1983	113,554,000	113,554,000	115,713,000	116,513,000
1984	109,166,000	109,239,000	112,834,000	109,194,000
1985	113,658,000	114,658,000	116,258,000	116,258,000
1986	110,060,000 1/	119,035,000	113,034,000	114,125,000
1987	125,528,000	125,528,000	125,164,000	133,488,000
1988	145,783,000	143,848,000	146,251,000	138,785,000
1989	141,678,000 2/	141,678,000	146,358,000	144,042,000
1990	135,008,000 3/	135,708,000	136,707,000	138,707,000 4/
1991	150,994,000 5/			

1/ 1986 includes reductions pursuant to P.L. 99-177.

2/ Reflects $1,737,000 across-the-board reduction pursuant to P.L. 100-436.

3/ Includes $285,000 in FY 1990 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $21,350,000 to be derived from the Black Lung Disability Trust Fund.

4/ Includes $2,000,000 in FY 1990 from the Department of Transportation Appropriations Act, P.L. 101-164.

5/ Includes $285,000 in FY 1991 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $19,396,000 to be derived from the Black Lung Disability Trust Fund.

DEPARTMENTAL MANAGEMENT
SALARIES AND EXPENSES
JUSTIFICATION

	1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Executive Direction	196	$19,124,000	206	$19,766,000	+10	+$642,000	207	$23,966,000	+1	+$4,200,000
2. Legal Services	784	49,929,000	783	49,929,000	-1	0	846	56,590,000	+63	+6,661,000
3. International Labor Affairs	78	6,361,000	78	6,461,000	0	+100,000	79	6,785,000	+1	+324,000
4. Administration and Management	191	20,185,000	190	20,011,000	-1	-174,000	190	20,763,000	0	+752,000
5. Adjudication	482	29,309,000	482	29,034,000	0	-275,000	436	27,857,000	-46	-1,177,000
6. Promoting Employment of the Disabled	37	2,880,000	37	2,880,000	0	0	37	3,700,000	0	+820,000
7. Women's Bureau	80	6,803,000	80	6,978,000	0	+175,000	82	6,848,000	+2	-130,000
8. Civil Rights	66	4,116,000	66	4,290,000	0	+174,000	66	4,485,000	0	+195,000
Total Budget Authority	1,914	$138,707,000	1,922	$139,349,000	+8	+$642,000	1,943	$150,994,000	+21	+$11,645,000

1/ Included in 1990 Estimate:

Ceiling Adjustment to the Office of Public Affairs from:

Employment and Training Administation	$ 64,000 and 1 FTE.
Employment Standards Administration	$194,000 and 3 FTE.
Occupational Safety and Health Administration	$128,000 and 2 FTE.
Bureau of Labor Statistics	$128,000 and 2 FTE.
Mine Safety and Health Administration	$128,000 and 2 FTE.
Comparative transfer to the Working Capital Fund	$ -0- and 2 FTE.

General Statement

The primary goal of the Department of Labor (DOL) is to protect and promote the interests of the American worker. The Departmental Management salaries and expenses appropriation finances staff responsible for formulating and overseeing the implementation of Departmental policy and management activities in support of the goals outlined above. In addition, this appropriation includes a variety of operating programs and activities that are not involved in Departmental Management functions, but for which other salaries and expenses appropriations are not suitable. Thus, this appropriation also represents a consolidated appropriation account for smaller operating programs.

The Departmental Management salaries and expenses appropriation is composed of the following activities: a) Executive Direction, b) Legal Services, c) International Labor Affairs, d) Administration and Management, e) Adjudication, f) Promoting Employment of People with Disabilities, g) the Women's Bureau, and h) Civil Rights.

The Executive Direction activity provides leadership and direction to all agencies of the Department of Labor. This activity includes (1) the immediate Office of the Secretary, (2) the Office of the Deputy Secretary, (3) the Office of Administrative Appeals, (4) the Office of the Assistant Secretary for Policy, (5) the Office of Small and Disadvantaged Business Utilization, (6) the Office of Public Affairs, and (7) the Office of Congressional and Intergovernmental Affairs, which includes the Regional Representatives. The offices listed above provide advanced economic and quantitative analysis on policy issues and maintain public information and communications programs to educate and inform the American public of the services and protections afforded them by the Department. Evaluation of the effectiveness of Departmental programs is coordinated within this activity, and guidance is provided on proposed legislation affecting the American wage earner. Efforts are made to ensure that small and disadvantaged businesses receive their fair share of Departmental contracts.

The Legal Services activity, which encompasses the Office of the Solicitor, provides the Secretary of Labor and Departmental program officials with the legal services required to accomplish the Department's mission. The major services provided by the Office of the Solicitor include: litigating cases in various Federal trial and appellate courts, and before the Office of Administrative Law Judges and administrative appellate tribunals; providing assistance to the Department of Justice and local U.S. Attorney's Offices in case preparation and trials; reviewing rules, orders and written interpretations and opinions for DOL program agencies and the public; and coordinating the Department's legislative program.

The Bureau of International Labor Affairs coordinates the Department of Labor's international responsibilities. The Department's goals in this area are (1) to assure that the needs and interests of American workers are given due consideration in the formulation and implementation of U.S. international economic and foreign policies; (2) to support U.S. foreign policy objectives through positive relationships with international organizations (principally the International Labor Organization), foreign governments, U.S. labor unions, and U.S. employer organizations; (3) to assist in promoting U.S. labor, business, and governmental interests abroad by providing analyses and information on trade unions and labor conditions in other countries; (4) to enhance the welfare of American workers and improve government labor administration in the U.S. by providing opportunities for DOL agencies to benefit from the experience of foreign labor ministries; and (5) to conduct policy reviews and analyses of the labor market and of the economic impacts of legislative and regulatory immigration-related initiatives.

The Administration and Management activity exercises leadership in all DOL administrative and management programs and services through the formulation of economic and efficient policies, systems and standards consistent with Federal and Departmental regulations. The Office of Administration and Management, which encompasses this activity, ensures efficient and effective operations through development, coordination and evaluation of DOL administrative and management programs. Federal funds are used for all functions of this activity, together with funds from the Black Lung Disability Trust Fund. This activity includes a) the immediate Office of the Assistant Secretary, b) the Office of the Comptroller, c) the Directorate of Personnel Management, d) the Directorate of Information Resources Management, and e) the Library. The primary goals and objectives of this activity are (1) to provide overall leadership in all DOL administrative and managerial programs and services; (2) to develop financial policy and strengthen internal financial controls; (3) to develop Departmental budgetary formulation, justification and execution systems sufficient to ensure technical accuracy and programmatic soundness; (4) to strengthen and improve the leadership of the DOL personnel management program, particularly as required by the Civil Service Reform Act; (5) to provide consistent and constructive internal labor-management relations throughout the Department; (6) to improve effective management of the Department by developing and evaluating staff utilization and DOL agency management systems; (7) to negotiate and approve indirect cost proposals and cost allocation plans in a timely and effective manner for State agencies, local governments and other organizations receiving grants and contracts from the Department; (8) to provide leadership and Departmental Management for the planning and use of automatic data processing, office automation, and data telecommunications; and (9) to plan, promote and direct a centralized Library program for the Department.

The Adjudication activity consists of four components: (1) the Office of Administrative Law Judges; (2) the Benefits Review Board; (3) the Employees' Compensation Appeals Board; and (4) the Wage Appeals Board. All four organizations use Federal Funds, while the Office of Administrative Law Judges and Benefits Review Board also use funds from the Black Lung Disability Trust Fund. These organizations are responsible for conducting hearings and rendering timely decisions on claims filed under the Black Lung Benefits Reform Act of 1977, as subsequently amended; the Longshore and Harbor Workers' Compensation Act and its extensions; the Federal Employees' Compensation Act, the Davis-Bacon Act and other acts involving complaints to determine violations of minimum wage requirements, overtime payments, health and safety regulations and unfair labor practices. These acts include, but are not limited to, the Walsh-Healy Public Contract Act, the Service Contract Act, the Contract Work Hours Standard Act, the Migrant and Seasonal Farm Worker Protection Act, the Job Training Partnership Act, and Executive Orders 11491 and 11246. This activity has jurisdiction in more than 70 separate case areas.

The President's Committee on Employment of People with Disabilities provides leadership to achieve maximum employment of people with physical and mental disabilities, and works to eliminate barriers standing in the way of employment opportunities. Educational, informational and technical assistance programs are developed and implemented by the President's Committee to assist in removing barriers and improving public attitudes about people with disabilities.

The Women's Bureau is the Federal agency mandated to "promote the welfare of wage earning women, improve working conditions, increase their efficiency and advance their opportunities for profitable employment," as authorized by Public Law 66-259, June 5, 1920. The Bureau addresses numerous problems and issues which involve working women, and which have been compounded in recent years by dramatic shifts occurring in the nation's economy. The Bureau conducts programs to analyze and publish data on working women, participates in the development of policies and programs to address the problems of women in the labor force, and provides technical assistance to both the public and private sectors. While separate institutions have been created to implement many of the laws promulgated to improve general working conditions, the Women's Bureau has continued to focus on the development of innovative policy and program options to address problems encountered by women workers.

The Directorate of Civil Rights (DCR) is responsible for ensuring full compliance with constitutional, statutory and regulatory non-discrimination provisions in programs receiving financial assistance from the Department of Labor, and for promoting equal employment opportunity in these programs and activities. In addition to its statutory responsibilities for ensuring non-discrimination in federally assisted programs, DCR is responsible for the management and direction of the Department's equal employment opportunity (EEO) counseling program and for the investigation of EEO complaints pertaining to the rights of applicants for employment with the Department and with Departmental employees.

The Fiscal Year 1991 budget request totals $150,994,000. Included in this total is $131,313,000 derived from Federal funds, $19,396,000 derived from the Black Lung Disability Trust Fund and $285,000 derived from the Unemployment Trust Fund. The total of $150,994,000 includes net mandatory increases of $7,074,000. Also included in this total are program increases of $15,193,000 and 67 full-time permanent positions. These program increases are partially offset by program decreases in the amount $3,548,000 and 46 positions. The net change in the Fiscal Year 1991 budget request is an increase of $11,645,000 and 21 positions over the comparable FY 1990 budget.

The Fiscal Year 1991 budget request includes the following program increases --

$72,000 and one position to administer research contracts in the Office of the Assistant Secretary for Policy, Executive Direction;

$3,250,000 for research and development activities in support of Secretarial objectives;

$500,000 for workplace substance abuse activities;

$800,000 associated with the increased costs of travel, stenographic services, and litigation support for the Office of the Solicitor;

$300,000 to purchase additional personal computers for the legal staff of the Office of the Solicitor;

$1,443,000 and 33 full-time permanent positions to provide increased legal support for the ERISA program;

$940,000 and 18 full-time permanent positions to provide increased legal support for the Occupational Safety and Health programs;

$314,000 and six full-time permanent positions to provide increased legal support for the Office of Federal Contract Compliance programs;

$314,000 and six full-time permanent positions to provide increased legal support for the Wage and Hour program;

$51,000 and one full-time permanent position for the Bureau of International Labor Affairs to provide for policy analysis and related immigration research;

$76,000 to provide for increased travel requirements for the President's Committee on Employment of People of Disabilities; and

$59,000 and two full-time permanent positions to expand the Work and Family Clearinghouse data base.

The program increases referenced above are partially offset by the six program decreases outlined below --

a decrease of $150,000 for the Bureau of International Labor Affairs, which reflects the completion of the grant to the International Labor Organization to computerize a workers-rights index;

a decrease of $540,000 for the Women's Bureau, which reflects a decrease in support for the Displaced Homemakers Network;

a decrease of $1,560,000 and 24 positions for the Office of Administrative Law Judges, which reflects the impact of projected decreases and the elimination of backlogs in the Black Lung caseload area;

a decrease of $432,000 and six positions for the Office of Administrative Law Judges, which reflects the impact of decreased workload requirements in the Longshore workload;

a decrease of $659,000 and 16 positions for the Benefits Review Board, which reflects the impact of decreasing Black Lung intake; and

decreases of $207,000 to provide for a reduced level of contracts in the Office of Administration and Management, the Women's Bureau and the Bureau of International Labor Affairs.

In total, the Fiscal Year 1991 budget request of $150,994,000 includes $131,313,000 and 1,623 full-time equivalent ceiling funded from Federal funds, $19,396,000 and 312 full-time equivalent ceiling funded from the Black Lung Disability Trust Fund and $285,000 and 8 full-time equivalent ceiling funded from the Unemployment Trust Fund.

EXECUTIVE DIRECTION
SALARIES AND EXPENSES

JUSTIFICATION

1990 Appropriation 1/		1990 Estimate 2/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
196	$19,124,000	206	$19,766,000	+10	+$642,000	207	$23,966,000	+1	+$4,200,000

1/ Included in 1990 Appropriation above:

Congressional add-on to support drug research contained in the Department of Transportation and Related Agencies Appropriations Act, P.L. 100-164	+$2,000,000

2/ Included in 1990 Estimate above:

Ceiling Adjustment to the Office of Public Affairs from:

Employment and Training Administration	+$ 64,000 and 1 FTE
Employment Standards Administration	+$ 194,000 and 3 FTE
Occupational Safety and Health Administration	+$ 128,000 and 2 FTE
Bureau of Labor Statistics	+$ 128,000 and 2 FTE
Mine Safety and Health Administration	+$ 128,000 and 2 FTE

Introduction

The Executive Direction activity includes: (1) the immediate Office of the Secretary, (2) Office of the Deputy Secretary, (3) Office of Administrative Appeals (OAA), (4) Office of Public Affairs (OPA), (5) Office of the Assistant Secretary for Policy (OASP), (6) Office of Small and Disadvantaged Business Utilization (OSDBU), and (7) Office of Congressional and Intergovernmental Affairs (OCIA). This activity provides leadership and direction to the various agencies of the Department of Labor. Offices assigned to this activity provide advanced economic and quantitative analysis on policy issues and maintain a public information and communications program to educate and inform the public of the services and protections afforded them by the Department. Evaluation of the effectiveness of Departmental programs is coordinated within this activity, guidance is provided on proposed legislation affecting American wage earners, and efforts are made to ensure that small and disadvantaged businesses receive their fair share of Departmental contracts.

The immediate Office of the Secretary, in working to accomplish the major objectives of the Department, sets policy and provides direction for all agencies of the Department, maintains an international presence for the Federal Government on Departmental programs and labor-related issues, is responsible for managing the Department and reviewing priorities, and assists the Secretary in her functions as a Cabinet Officer. The Office of the Deputy Secretary oversees the day-to-day management of the Department, provides an on-going response to program operations, and carries out the Secretary's goals and objectives.

OAA prepares final decisions of the Secretary of Labor, Deputy Secretary and other deciding agency officials in adjudicated administrative proceedings. These cases are appeals from decisions of Administrative Law Judges (ALJ's) and arise under a broad range of laws. Major caseload areas include Comprehensive Employment and Training Act/Job Training Partnership Act; Rehabilitation Act and Executive Order 11246; McNamara-O'Hara Service Contract Act; and seven whistleblower statutes. Increasingly, these cases involve complex or novel issues. They generally are reviewed upon a full administrative record, including a hearing before an ALJ, and require interpretation and application of statutes, orders, regulations, Department of Labor precedents and case law. In addition, the office reviews requests and prepares orders granting or denying Secretarial review in cases where review is discretionary, prepares other orders for scheduling and briefing in all case areas and produces substantial correspondence, including Congressional correspondence, in connection with pending cases.

OPA provides the Department of Labor with a comprehensive information and public affairs program designed to enhance program effectiveness; provides advice, guidance and support service to the Secretary and the Departments's executive, program and information staff, and services the public's needs for information on the programs, services, protections, and benefits provided by the Department.

OASP provides the Secretary with analytical support on economic policy issues; assists the Secretary, the Deputy Secretary, and the Departmental agencies in the design and evaluation of Labor Department programs by providing analytic support and research direction; and performs and/or oversees the performance of research in areas of special interest to the President and the Secretary. OASP is organized primarily along functional lines. Its staff resources cover a broad array of technical, economic, and analytical capabilities designed to provide the Office of the Secretary with flexible support in a wide variety of economic areas.

OSDBU implements and administers those functions and duties under the Small Business Act, as amended (P.L. 85-536). Functions include responsibility for Department-wide policy, plans, guidance, and direction concerning the establishment of procurement preferential goals to ensure that small and disadvantaged business concerns, including women-owned businesses and labor surplus area firms, receive a fair share of government purchases, contracts, and subcontracts. OSDBU is also responsible for a number of programs in DOL including: Historically Black Colleges and Universities; the Minority Bank Deposit Program, and the Small Business Innovative Research Program.

OCIA serves as the principal advisor to the Secretary in the discharge of duties and responsibilities to the Congress and the coordinator of all Congressional activities affecting the Department of Labor. OCIA works with Members of Congress, Congressional Committees and staff, and the White House Legislative Liaison staff on the administrative programs and activities affecting the Department; monitors inquiries from Members of Congress on behalf of their constituents; and coordinates responses to these inquiries in a timely manner. OCIA also coordinates its activities with the legislative staffs of other Federal agencies to effectuate the Administration's legislative proposals. OCIA also ensures that the concerns of State and local officials and their representative associations, as well as public interest groups, labor unions and business associations, are fully considered by the Department, and that those groups are provided up-to-date information on programs of interest to them.

1991 Budget Request

The FY 1991 request level of $23,966,000 and 207 FTE reflects the following changes in the 1990 appropriation level: a) a comparative transfer during 1990 of $642,000 and 10 FTE to the Office of Public Affairs; b) $378,000 in built-in personnel and non-personnel increases for 1991; and c) 1 FTE and $3,822,000 in 1991 program increases that are explained below in the summary of changes. At this request level, Executive Direction components will have resources to:

-- Provide the Department with a comprehensive information and public affairs program designed to enhance program effectiveness; provide advice, guidance and support services to the Secretary and the Department's executives, and adequately serve the public's need for information on the program services, protections and benefits provided by the Department.

-- Maintain effective communications with State and local governments, special interest groups, unions and business associations to assure their needs and concerns are given full consideration by the Departmental programs and activities of interest to them.

-- Advise the Secretary on responsibilities and impacts of decisions on policy formulation, regulatory and policy issues presented to the Policy Review Board and Cabinet Council deliberations; prepare recommendations and analyses with respect to long- and short-term economic trends relating to the formulation of policy within the United States; and coordinate DOL policy matters with government and non-government officials.

-- Through a program increase of $3,000,000 in research and development funds for OASP, achieve major Secretarial objectives by 1) assessing the effectiveness of current work-based training incentives; 2) demonstrating methods of moving individuals from skilled, technical occupations to the professions through structured training and related academic support; 3) assessing the appropriate roles of third parties in developing business consortia to overcome disincentives to training; 4) developing models for efficient industry-wide training; 5) evaluating models for, and developing policies on, private sector child care arrangements; 6) evaluating systems of pension "portability" and benefit preservation to meet retirement needs of workers who change jobs frequently; and 7) evaluating methods that attempt to identify workplace-related injuries, illnesses, and fatalities.

-- Through a program increase of $500,000, provide additional funds for a national grant program administered by OASP to assist employers develop employee drug and alcohol abuse assistance programs.

- -- With a program increase of $250,000 for OASP, continue funding of ADP and computer time-sharing contracts, provide for a maintenance contract for office PCs, and support research and policy development in the area of estimating employment losses caused by acid rain legislation.

- -- Sustain mission responsibilities of OSDBU, pursuant to P.L. 100-496, 100-533, and 100-659, in the areas of ensuring prompt payment to small business owners; assisting business enterprises owned by women; and assisting disadvantaged business owners qualifying under the 8(a) program.

- -- During the fiscal year, 122 cases are projected to be received in OAA, essentially equal to the intake total projected for FY 1990. At the FY 1991 authorized FTE ceiling level of 21, a total of 126 cases are projected to have disposition during the fiscal year, an increase of 20 percent over the comparable FY 1990 total. A total of 239 cases are projected to be pending without disposition at the end of the year, essentially equal to the pending workload at the beginning of the fiscal year. The increase of 20% in OAA dispositions will slow the growth in the backlog of cases pending before OAA, projected to be at a level of nearly 2.5 years at the beginning of FY 1991. Combined with efforts to issue decisions in an increased number of older pending cases, reductions are forecast in the average time required for review of appeals. While there will continue to be a backlog of more than two years at the end of FY 1991, projections of case intake indicate that the length of the backlog can be further reduced in succeeding years by maintaining the level of dispositions projected for FY 1991. OAA will continue to process its current level of "assumption of jurisdiction" determinations. Increases of approximately 10 percent in other orders and 5 percent in correspondence are also projected.

1990

- -- During FY 1990, OAA is projected to receive 119 cases, essentially equal to actual intake for FY 1989. Decisions are projected to be issued in 105 cases, slightly higher than the actual total for FY 1989. A total of 243 cases are projected to be awaiting decision at the end of the fiscal year, equivalent to a backlog of more than two years. A special effort is under way to prepare for signature decisions in older cases and to complete work on cases involving sensitive and difficult questions of jurisdiction, liability and damages under 'whistleblower' laws, and the Rehabilitation Act, where the extensive case records and the review process are particularly time intensive and require lengthy, detailed decision. Because of budgetary constraints in FY 1990, OAA had to delay filling the three new positions it received this year. Because these positions will not be fully productive until FY 1991, backlogs will increase slightly in FY 1990 before being reduced in FY 1991.

- -- OPA is continuing to provide the Department with a comprehensive public affairs program by serving as the central contact point for all inquiries from the media and public; the central review and dissemination point for all Departmental issuances; and the central source within the Department for advice and guidance on all public information matters. OPA is also coordinating the Department's consumer respect to responsibilities in the area of policy formulation and on regulatory and policy issues presented to the Policy Review Board and the impact of such policies. The Office continues to provide analytical support for broad range policy functions, prepares recommendations and analyses with respect to long and short-term economic and social trends, and coordinates research and evaluative activities within the Department to ensure that such activities are in accord with the Secretary's priorities. OASP will also continue providing grants to employers to develop employee drug and alcohol abuse assistance programs.

-- OSDBU activities in FY 1990 include assisting the Secretary in developing and maintaining an effective small business program; providing small firms with a wide range of services to help them obtain government contracts; establishing and monitoring DOL agencies, small, minority, women-owned and labor surplus area goals; insuring DOL participation in Congressionally sponsored procurement conferences throughout the United States; continuing outreach and oversight reviews locally and in regions; supporting Presidential initiatives on Small Business week and Minority Business week; and updating regulations and publications.

-- OCIA continues to utilize its newly computerized network system to advise, guide, and support the Secretary on all legislative initiatives affecting American wage earners. This Office also continues to work with Members of Congress, Congressional committees and staff, White House legislative liaison staff and other Federal agencies on the Administration's legislative programs and activities of concern to the Department of Labor.

1989

-- As chairperson of the Department's Policy Review Board, the Assistant Secretary for Policy played a prominent role in evaluating major policy questions to be considered by the Secretary and other top officials. In addition, OASP prepared and coordinated the DOL portion of the annual Regulatory Program of the U.S.; provided major DOL regulatory agencies with policy and economic analysis in developing regulations affecting workers' health and safety, pensions, wages and hours, etc.; provided key economic data to senior DOL officials to facilitate analysis of economic issues; participated in the development of the Department's youth employment agenda and worked closely with the Employment and Training Administration to develop criteria for amendments to the Job Training and Partnership Act; provided technical and analytical support in the development of the President's child care proposal and provided staff and expertise to the Child Care Liability Insurance Task Force; helped develop Administration policy on the minimum wage; directed development of Departmental policy on pension issues and advised the Secretary on matters affecting health and retirement funds in the coal industry; helped develop the Secretary's Workforce Quality Initiative; exercised overall responsibility for the Department's workplace substance abuse programs and chaired a Departmental Task Force on Workplace Substance Abuse; coordinated DOL response to the OMB-mandated Information Collection Budget process with an emphasis on reducing paperwork burden hours in the largest DOL regulatory programs; helped design data systems for estimating the seasonal agricultural labor supply; and, in response to amendments to the Immigration and Nationality Act, developed a regulation setting forth procedures for determining the "shortage number" of seasonal agricultural service workers.

-- Under the leadership of OSDBU, the Department met all of its procurement preference goals in FY 1989 (small business, minority business, 8(a), women-owned businesses, labor surplus areas and subcontracting). Thousands of small minority and women-owned firms were given advice and assistance and DOL contracting officers were assisted in locating small, minority and women-owned firms with capabilities of fulfilling DOL requirements.

-- OPA carried out a comprehensive nationwide information program supporting all Departmental and agency program activities. Services included preparing news releases, public service announcements, articles, and letters-to-the-editor; arranging interviews for and with the media; providing assistance to Departmental officials on public affairs issues; and conducting outreach efforts with State and local government officials, special interest groups, unions, businesses, etc.

-- In 1989, OAA completed and issued dispositive orders in 101 cases, and as FY 1989 ended, decisions prepared for signature had been forwarded in five additional cases. The final dispositions included 37 environmental whistleblower cases, in contrast to 23 in FY 1988. Because the whistleblower cases receive especially detailed scrutiny, they take more time to complete. The substantial increase in this area resulted in some reduction in the total number of CETA and Service Contract Act (SCA) cases decided. In addition, more of the SCA cases which were received and reviewed involved issues of wage determination and conformance, raising many questions never addressed in earlier cases. Thus, additional time involved in preparation of those decisions and consultation with deciding officials adversely affected overall case dispositions. Among significant decisions with substantial opinions issued were cases: (1) addressing the liability of a State university system to prepare affirmative action plans for all its campuses; (2) applying the Rehabilitation Act to an industrial worker with epilepsy and to a carpenter with high blood pressure; (3) considering requirements for due process in construing Department regulations and determining the appropriate geographic area for comparing wages under the SCA; (4) examining the liability of States for interest when repaying improperly spent CETA funds; and (5) holding provisions of whistleblower settlement agreements invalid as against public policy. At total of 118 new appeals were received during the fiscal year and 229 cases were awaiting decision at the end of the year. This pending caseload was equivalent to a backlog of nearly two years.

Changes for 1991

Activity Changes:

Built-in:	
Annualization of 1990 pay increase	$96,000
Within-grades and promotions	109,000
One extra day of pay in 1991	43,000
Part of anticipated 1991 pay increase, effective January 1991	187,000
Part of anticipated Executive pay increase	168,000
Travel	22,000
GSA space rent	91,000
Other rent	19,000
Printing	6,000
Other services	44,000
Working Capital Fund	115,000
Supplies	7,000
Equipment	1,000
FECA	-30,000
GSA space rent adjustment	-500,000
Total Built-in	+$378,000
Net Program	+$3,822,000
FTE	+1

Executive Direction

Proposal: To increase OASP staff 1 by FTE and related funding by $72,000.

Rationale: To provide the expertise necessary to oversee the expenditure of the general research funds being requested in 1991 ($3,000,000).

Program Effects: The increase will enable OASP to provide the technical expertise necessary to oversee the expenditure of the requested general research funds.

Base: FTE: 206	Estimate: $20,144,000
Program Increase: FTE: +1	Estimate: +$72,000

Proposal: To increase OASP research and development funding by $3,000,000.

Rationale: These funds will provide important research and development support of major Secretarial objectives by improving delivery systems and programs to enable industry to better train America's workforce and by promoting private sector child care arrangements, more flexible pension arrangements, better systems for identifying work place safety and health hazards, better labor-management relations, and more efficient use of the nation's work force.

Program Effects: These funds will enable the Department to achieve major Secretarial objectives.

Base:
FTE: 206 Estimate: $20,144,000

Program Increase:
FTE: 0 Estimate: +$3,000,000

Proposal: To increase OASP funding for employee drug and alcohol abuse assistance programs by $500,000.

Rationale: The Anti-Drug Abuse Act of 1988 required the Department to establish a national grant program to assist employers develop employee drug and alcohol abuse assistance programs. The requested funds will be used for this purpose.

Program Effects: The additional funds will enable the Department to fulfill its responsibilities under the Anti-Drug Abuse Act.

Base:
FTE: 206 Estimate: $20,144,000

Program Increase:
FTE: 0 Estimate: +$500,000

Proposal: To increase OASP general research/contract funding by $250,000.

Rationale: Part of the funds will support research and policy development in the area of estimating employment losses caused by acid rain legislation. These funds will enable OASP to meet its funding needs for ADP and computer time-sharing contracts and for a maintenance contract on office PCs.

Program Effects: These funds will enable OASP to finance essential contract and research needs.

Base:
FTE: 206 Estimate: $20,144,000

Program Increase:
FTE: 0 Estimate: +$250,000

Office of Administrative Appeals

Workload/Performance Measures

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Decisions in Cases			
Pending, beginning of year	212	229	243
Received during year	118	119	122
Completed	101	105	126
Pending, end of year	229	243	239
Assumption of Jurisdiction Determinations			
Pending, beginning of year	2	0	1
Received during year	6	7	8
Completed	8	6	7
Pending, end of year	0	1	2
Other Orders			
Pending, beginning of year	20	25	30
Received during year	90	105	100
Completed	176 a/	180	200
Pending, end of year	25	30	25
Other Correspondence			
Pending, beginning of year	28	20	25
Received during year	140	155	160
Completed	540 b/	620	650
Pending, end of year	20	25	30

a/ Orders are frequently issued which are not in response to incoming correspondence or motions.

b/ Correspondence is frequently issued which is not in response to an incoming document.

LEGAL SERVICES
SALARIES AND EXPENSES

JUSTIFICATION

1990 Appropriation		1990 Estimate		1/ Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
784	$49,929,000	783	$49,929,000	-1	0	846	$56,590,000	+63	+$6,661,000

1/ Included in 1990 Estimate above:
Comparative transfer to the Working Capital Fund $ 0 and -1 FTE

Introduction

The staff included in this activity provides the Secretary of Labor and Departmental program officials with the legal services required to accomplish the Department's mission. The major services provided by the Office of the Solicitor (SOL) include: litigation of cases in various Federal trial and appellate courts and before the Office of Administrative Law Judges (OALJ) and administrative appellate tribunals; provision of assistance to the Department of Justice and local U.S. Attorney's Offices in case preparation and trials; review of rules, orders and written interpretations and opinions for Department of Labor (DOL) program agencies and the public; and coordination of the Department's legislative program.

1991 Budget Request

SOL's FY 1991 budget request is for $56,590,000 and 846 FTE. The request is $6,661,000 and 63 FTE more than the FY 1990 Estimate. The request includes: built-in increases of $2,657,000, program increases of $3,011,000 and 63 related full-time permanent positions, non-personnel services program increases of $1,100,000, and a non-personnel services built-in decrease of $107,000 due to a redistribution of Working Capital Fund charges. The increases outlined above are imperative to provide the necessary support to many of the Department's enforcement programs and to finance the legal support areas that are essential to the provision of legal services.

The program increases of 63 FTE are related to new, pending, or increasing workload in the following program areas: the Employee Retirement Income Security Act (ERISA) program area (33 FTE), the Occupational Safety and Health Administration (OSHA) program area (18 FTE), the Wage and Hour (Wage-Hour) program area (6 FTE), and the Office of Federal Contract Compliance Programs (OFCCP) program area (6 FTE). The additional workload can not be absorbed because there are no legal workload decreases that will allow a shift of resources.

SOL is requesting an increase of 33 FTE for support of the ERISA program. In addition, 7 FTE previously assigned to SOL administration and 5 FTE previously providing legal services for the Office of Inspector General will be redirected to the ERISA program area. ERISA enforcement cases referred by Pension and Welfare Benefits Administration (PWBA) have increased from 76 case referrals in FY 1986 to 166 in FY 1989; case load is expected to increase in FY 1990 and is expected to increase even more dramatically in FY 1991 (from 272 cases received in FY 1990 to 389 cases received in FY 1991) with an addition to the PWBA staff and an increase in the referral rate.

ERISA cases are also increasing in complexity and time intensity. A typical large ERISA case requires more than one attorney for a number of years and involves multiple defendants with well-financed counsel. Additionally, SOL will receive new workload in the form of civil penalty cases (under new section 502(c)(2) of ERISA, plan administrators are subject to a civil penalty of up to $1,000 per day for failure to file timely and substantially correct annual reports).

The OSH Act litigation workload is expected to remain at high levels as the OSHA continues its vigorous stance on enforcement and the issuance of higher penalties. OSHA program increases in FY 1990 and FY 1991 will result in estimated increases in Federal and State inspections from 147,719 in FY 1989, to 164,350 in FY 1990, to 168,350 in FY 1991. In addition to an increase in the number of inspections, there is an increasing contest rate vis-a-vis inspections. OSHA cases being referred to SOL have also increased in complexity for a variety of reasons, including an increase in the number of complex citations (for example, serious, willful and repeat violations); an increase in use of the egregious penalty policy; an increased emphasis on new programs; attention to ergonomic issues; and continued attention to large recordkeeping cases. Increased criminal referrals in OSHA are expected in FY 1991 and will cause an increase in the legal review process. Litigation is expected to increase by 515 incoming cases between FY 1990 and FY 1991. SOL will also continue to provide legal review and assistance in OSHA's rulemaking efforts, as well as continue litigating a large number of major standards cases. Therefore, the SOL is requesting an increase of 18 FTE for the OSHA program area. It should be noted that the OSHA workload has increased from 4,808 cases in FY 1986 to 8,315 cases in FY 1990 without any SOL staff increases in this area. As a result, the number of cases pending increased by 3,900 cases or 215 percent from 1,830 cases in FY 1986 to 5,730 in FY 1990.

In FY 1991, SOL will continue its ongoing responsibilities for litigation and support of the Wage and Hour Division's administration and enforcement of the Fair Labor Standards Act (FLSA) and some 70 other labor standards statutes. The first enforcement actions under the enforcement "teeth" for industrial homework will be filed in FY 1990 with the first appeals coming in FY 1991. Significant court litigation is also anticipated in view of the enhanced enforcement efforts of the Wage and Hour Division. The first cases under the Special Agricultural Worker/Replenishment Agricultural Worker (SAW/RAW) program and temporary alien agricultural labor certification (H-2A) program of the Immigration Reform and Control Act (IRCA) are also anticipated in FY 1990, with appeals filed in FY 1991. SOL will review cases under the new Program Fraud Civil Remedies Act (PFCRA), primarily arising in connection with fraud on certified payrolls filed under the Davis-Bacon Act. The first cases under the Employee Polygraph Protection Act (EPPA) are expected in FY 1990 and continued extensive interpretive activity, trial litigation, and the first appellate cases are expected in FY 1991. The ongoing, wide-ranging review of the child labor regulations is likely to result in continued extensive regulatory activity in FY 1990 and 1991. The new amendments to the FLSA will result in substantial interpretive, regulatory and litigation activity in FY 1991 -- particularly with regard to the training wage and new civil money penalty provisions. In addition, the raise in the minimum wage will likely result in increased employer violations, with concomitant increased litigation. Regulations under the newly enacted Immigration Nursing Relief Act (INRA) should be issued in final in FY 1991, with the bulk of the first cases received that year as well.

Accordingly, SOL requires an increase of 6 FTE to handle the additional new workload generated by the FLSA amendments, the Immigration Nursing Relief Act, EPPA, cases related to the new homeworker regulations, and the new review responsibilities under the PFCRA.

SOL recently experienced increases in OFCCP enforcement cases referred for litigation and in administrative appeals. In FY 1989, SOL received 173 cases. This number is expected to increase to 185 in FY 1990 and 194 in FY 1991. Much of this increased workload is attributable to the recent hiring of additional compliance officers in FY 1989. SOL is requesting 6 additional FTE in FY 1991 to handle the additional cases at the trial and appellate levels. It should be noted that SOL's workload in this program has increased from 109 case referrals in FY 1986 to 185 in FY 1990 without any staff increases. As a result, cases pending have increased during this period from 147 cases pending to 291 cases pending, an increase of 144 cases or about 100 percent.

SOL will continue to handle litigation arising under the Black Lung Benefits Act. SOL will continue to participate in all cases in which the Black Lung Disability Trust Fund is directly at risk, and in responsible operator cases that raise issues of particular importance to the administration of the Act. The SOL anticipates participating in 1,875 cases at the OALJ level, 1,802 cases at the Benefits Review Board (BRB) level, and 280 cases at other appellate levels in FY 1991.

In FY 1991, SOL will represent the Longshore special fund in litigation before the OALJ, BRB, and courts of appeals. SOL will continue to participate in appeals before the BRB and courts of appeals involving novel and complex legal issues, particularly those requiring construction of provisions of the 1984 amendments to the Act. SOL will continue to represent the Director, Office of Workers' Compensation Programs (OWCP) on actions to collect fines and assessments owed to the special fund under the Longshore and Harborworkers Act. Specifically, the SOL expects to participate in 1,140 cases at the OALJ level, 115 cases at the BRB level, and 60 cases at other appellate levels.

SOL will continue to provide legal advice and conduct litigation in support of Employment and Training Administration (ETA) programs. Regulatory work is expected to continue at a high level and could expand due to proposed new legislation relating to permanent immigration, JTPA, and new legislation for programs for youth. Major litigation related to both the certification of aliens for permanent employment and the certification of temporary agricultural workers will continue through FY 1991.

The defense and prosecution of MSHA enforcement actions will continue, including extensive litigation regarding petitions to modify the application of MSHA ventilation and electrical standards. MSHA is more vigorously investigating and processing special investigation cases; i.e., potentially willful or knowing violations committed by operators or agents. SOL will be involved in providing advice and litigation support in this expanding program. In addition, MSHA is expected to initiate a program to target repeat violators for increased civil penalties. SOL also expects litigation in FY 1991 related to the completion of major MSHA rulemaking packages. Approximately 3,214 cases are expected to be received and 4,285 are expected to be concluded. Over 1,120 requests for opinions are expected to be received and 920 are expected to be concluded. Twelve regulatory actions are expected to be received and 10 actions are expected to be concluded.

Because Johns Manville's plan of reorganization was approved by the Bankruptcy Court in late 1988, that company is currently settling numerous claims for damages. It is expected that the company will be filing Federal Torts Claim Act (FTCA) claims with the Department seeking indemnification or contribution from the United States. Should two other large asbestos manufacturers come out from the Bankruptcy Court's protection, a further increase in FTCA asbestos-related claims would result. The current estimate is that 14,100 FTCA claims will be received and 440 will be concluded. Claims pending at the end of FY 1991 are expected to number 114,517.

SOL will continue to review investigative files on complaints about union officer elections filed by union members pursuant to Section 402(a) and about improper trusteeships pursuant to Section 304(a) of the Labor-Management Reporting and Disclosure Act (LMRDA). In addition, SOL will continue to provide legal advice and assistance with regard to the Veterans' Reemployment Rights Act and on a replacement statute for this Act. The new statute could engender significant litigation in FY 1991. SOL will continue to provide legal support for DOL's activities required under Section 13(c) of the Urban Mass Transit Act (UMTA) and other employee protection statutes. SOL also expects to increase its rendering of legal advice and assistance to the Bureau of International Labor Affairs (ILAB) because of the Department's increasing responsibilities and initiatives in the areas of foreign aid, initiatives in eastern Europe, legal immigration legislation, internationally recognized workers' rights legislation and International Labor Organization (ILO) activities.

SOL will continue to provide legal advice and services in a number of areas that affect all components of the Department. In FY 1991 there will be increased demands for legal services in connection with the preparation of legislative reports, draft bills, and testimony. There will also be an increased workload in the ethics area, since SOL will be extensively involved in providing training on and implementing the recently-enacted Ethics Reform Act of 1989 and regulations that will be issued by the Office of Government Ethics (OGE). The legislation and OGE regulations will likely require the drafting of DOL implementing regulations in this area. SOL will provide legal services in defense of the Department's employee and labor relations cases and will also defend suits under the Freedom of Information Act (FOIA), the Privacy Act (PA), and in cases involving third party subpoenas. Also in support of the Department, SOL will provide legal services to the Directorate of Civil Rights (DCR) and the Office of the Assistant Secretary for Administration and Management (OASAM).

In all areas, SOL will continue to provide special appellate services in Supreme Court cases in which the Department has an interest and in courts of appeals cases especially selected because of importance, novelty and difficulty of legal issues.

For all miscellaneous programs, the SOL expects to conclude 1,915 cases, 2,600 opinions, and 45 regulatory actions.

The FY 1991 request also reflects an increase of $1.1 million to fund increases in necessary support areas. These areas and associated needs are: travel ($300,000); stenographic reporting services ($300,00); litigation support services ($200,000); and personal computers ($300,000). The increase in travel is necessary to ensure that SOL will be able to appear in essential cases and to depose critical witnesses. In addition, the increase in travel is necessary to convene managers for review and assessment on a quarterly basis, and to convene regular program-specific training sessions on changes in the law, changes in the client agency policies and to discuss litigation strategies and techniques.

The increase in stenographic services is necessary since essential expenditures in this area have been steadily increasing. The need for these services increases as the workload increases. There have also been escalating increases in the charges by the reporters as well as increases in the costs for transcript copies.

The increase in funding for litigation support services is necessary since the number of large cases is expected to increase from 37 in FY 1989 to 60 in FY 1991. These cases are highly complex because they involve large volumes of data and records which cannot be manually manipulated, or involve large numbers of discovery documents or defendants.

The increase in funding for personal computer resources is necessary for SOL to complete its approved five-year plan and realize its productivity goals. National, regional, and subregional offices will be targeted for these resources. The completed system will provide for computer assisted legal research and improve the quality of SOL's legal information sharing by providing faster and easier access to various legal databases.

1990

The Legal Services resource totals for FY 1990 are $49,929,000 and 783 FTE.

During FY 1990, an increased number of ERISA enforcement cases will be referred to SOL. The first civil penalty cases will also be referred. Litigation will continue in cases involving a broad range of fiduciary and employer securities issues. The rate at which ERISA Advisory Opinion requests are processed will increase, requiring an increased devotion of SOL staff to this activity. In FY 1990, SOL will work on several significant regulations that will have an impact on Employee Stock Ownership Plan (ESOP) transactions (and other transactions involving the purchase or sale by employee benefit plans of employer securities) as well as other regulatory projects. In total, 272 ERISA and Federal Employees' Retirement System Act (FERSA) cases are expected to be referred. This represents an increase of 106 cases or 64 percent over FY 1989. In FY 1990, 145 cases are expected to be concluded.

In FY 1990 OSHA litigation will remain high as the agency continues its emphasis on enforcement and higher penalties. The OSHA contest rate has increased also resulting in a higher workload for SOL. Enforcement of the

Hazard Communication Standard (HCS) has resulted in a significant number of contested cases and expansion of the standard to the construction industry should result in a further increase in enforcement activity. The promulgation of other new standards will also increase the litigation workload. The SOL expects to begin the year with 4,265 cases in this program area, receive 8,315 cases (an increase of 613 cases or 8 percent from FY 1989), conclude 6,850 cases, and end the year with 5,730 cases in progress. It also expects to begin the year with 1,296 opinions pending, to receive 3,375 requests for opinions, to conclude 3,175 opinions, and to end the year with 1,496 opinions pending.

The first enforcement actions under the enforcement "teeth" for industrial homework will be filed in FY 1990. Litigation over the regulations concerning the use of helpers under the Davis-Bacon Act will also continue in FY 1990. SOL will be providing substantial assistance to development of the H-2A program in FY 1990 as litigation and appeals are filed. The first cases filed under the SAW/RAW program assessing civil money penalties are expected in FY 1990. The first cases filed under the EPPA will also be received in FY 1990. Extensive regulatory activity is anticipated in the child labor program, as well as under the EPPA, the newly enacted Immigration Nursing Relief Act, and the new amendments to the FLSA. In addition, the Department is continuing its examination of homework in the women's apparel industry. During FY 1990 work related to the FLSA and other labor standards statutes will include the continuation of litigation developing the "reckless disregard" standard established in Brock v. Richland Shoe Co. SOL will also be involved in litigating and advising the public on the application of the executive, administrative and professional exemption. For Wage-Hour, the SOL expects to begin the year with 6,327 cases in progress, to receive 3,550 cases, to conclude 3,230 cases, and to end the year with 6,647 cases in progress (an increase of 5 percent). It also expects to receive 1,680 requests for opinions and to conclude 1,365 opinions. In regard to regulations, the SOL expects to receive 60 actions and conclude 60 actions.

Under Executive Order 11246, distribution of the back pay fund in the Harris Bank case will continue during FY 1990. Enforcement cases will remain at a high level as a result of OFCCP's recent increase in compliance officers. Section 503 litigation will also increase during FY 1990. For OFCCP, the SOL expects to receive 185 cases, to conclude 144 cases, and to end the year with 291 cases pending (an increase of 16 percent). It also expects to receive 556 requests for opinions and conclude 525 opinions. In regard to regulations, it expects to receive 2 actions and conclude 2 actions.

SOL will continue to defend the Black Lung Disability Trust Fund against claims filed by ineligible claimants and against coal mine operators seeking to impose liability on the fund. SOL will participate in all appeals where the Trust Fund is potentially liable for benefits payments. It expects to participate in 2,904 cases at the OALJ level, 1,430 cases at the BRB level, and 260 cases at other appellate levels.

In FY 1990, SOL will represent the Longshore special fund and will continue to participate more comprehensively in appeals before the BRB and courts of appeals. The level of case participation is expected to be 1,128 at the OALJ level, 115 at the BRB level, and 60 at other appellate levels.

SOL will also participate in the review of about 435 Employees' Compensation Appeals Board (ECAB) cases, virtually the same number participated in in FY 1989.

Legal advice and litigation in support of the various ETA programs will be provided throughout FY 1990. Interpretations in the area of immigration will remain high as more agricultural employers seek to bring to the United States legal nonimmigrant alien workers in the H-2A program. Substantial new regulatory activity will be generated by major revisions in the regulations governing the Veterans' Employment and Training programs and apprenticeship programs. The nonagricultural temporary labor certification (H-2B) program is expected to become more active as employers comply with IRCA. Specifically, the SOL expects to receive 610 cases in this program area, conclude 600 cases, and end the year with 1,278 cases pending. It also expects receive 1,240 requests for opinions and conclude 1,240 requests.

An increasing volume of litigation to prosecute and defend MSHA enforcement will be filed in FY 1990. The SOL expects to receive 3,262 cases, 141 more than FY 1989, to conclude 4,285 cases, and to end the year with 6,869 cases pending. Petitions to modify the application of MSHA ventilation and electrical standards will continue to be the subject of extensive litigation. In addition, SOL will continue to seek, where appropriate, temporary reinstatement of miners who have non-frivolous claims of discriminatory discharge for exercising their statutory safety rights. Rulemaking activity on approximately 30 major regulatory projects will continue.

During FY 1990, the number of asbestos claims under the FTCA could increase significantly. This is due to the approval of the reorganization of Johns Manville Corporation, allowing it to come out of bankruptcy. Manville has established a settlement trust fund and, after payments from that fund, can seek contribution or indemnification from the Government under the FTCA. The SOL expects to begin the year with 87,927 FTCA claims pending, to receive 13,300 claims, to conclude 370 claims, and to end the fiscal year with 100,857 claims pending (an increase of nearly 15 percent).

SOL will continue to review investigative files on complaints about union officer elections filed by union members pursuant to Section 402(a) and about improper trusteeships pursuant to Section 304(a) of LMRDA. In addition, SOL will continue to provide legal advice and assistance with regard to the Veterans' Reemployment Rights Act and on a replacement statute for this Act. In addition, SOL will provide legal support for DOL's activities required under Section 13(c) of UMTA. SOL also expects to increase its rendering of legal advice and assistance to ILAB because of the Department's increasing responsibilities and initiatives in the areas of foreign aid, initiatives in eastern Europe, legal immigration legislation, internationally recognized workers' rights legislation and ILO activities.

SOL will continue to provide legal advice and services in a number of additional areas. Legislative initiatives will increase the workload of attorneys involved in the coordination of the Department's legislative activities. The number of requests for advice in the ethics and conflict of interest areas is also expected to grow. SOL will continue its major role in FOIA and PA areas. SOL projects that the volume of administrative appeals will remain steady, and it is expected that requests for assistance and training in these areas will increase due to the implementation of comprehensive new DOL FOIA regulations. The SOL workload will remain steady in internal labor relations.

SOL will also continue to represent the Department's position in special appellate and Supreme Court cases which are of interest, and in court of appeals cases especially selected because of importance, novelty and difficulty of issues.

In total for its miscellaneous litigation workload, the SOL expects to receive 2,097 new cases and to conclude 1,925 cases. It also expects to receive 2,630 requests for opinions and to conclude 2,613 opinions. In regard to regulatory action, the SOL expects to receive 47 actions and conclude 47 actions.

1989

During FY 1989, the SOL continued to provide the effective and efficient legal services required by the Department to accomplish its mission. This activity received 18,956 cases for litigation, concluded 18,009 cases, and had 32,278 cases pending for the ETA, PWBA, Wage-Hour, OFCCP, FECA Subrogation, OSHA, MSHA, and miscellaneous program areas. For the FTCA program area, this activity received 11,850 claims, concluded 333 claims, and had 87,927 claims pending. In addition, the SOL participated in some 7,349 appeals at the OALJ, the BRB, the ECAB, and the various courts of appeals.

SOL received an increased number of litigation referrals from the PWBA related to the implementation of a focused enforcement strategy under ERISA. SOL also continued to assist PWBA in its efforts to provide interpretive guidance and to reduce unnecessary regulatory burdens under ERISA. Thirty-seven additional cases for litigation were received in FY 1989, compared to FY 1988, a 29 percent increase.

SOL's work in support of the OSHA program increased at all levels. The OSHA contest rate increased significantly, resulting in a substantial increase of cases received in SOL's field offices and a corresponding increase at the appellate level handled by the national office. OSHA's rulemaking efforts, requiring legal review and assistance, also continued at a high pace, including promulgation of final regulations for 15 safety and health standards and publication of notices of proposed rulemakings for 14 safety issues and 2 health issues.

During FY 1989 a major effort under the FLSA was the development of new homework regulations lifting the ban and instituting a new set of enforcement "teeth" for six of the seven affected industries. SOL also worked with Wage-Hour in the development of final regulations implementing the sheltered workshop provisions of Section 14(c) of the Act. Litigation developing the "reckless disregard" standard continued in FY 1989, as well as litigation over the homeworker regulations and the regulations issued in 1989 concerning the use of helpers under the Davis-Bacon Act. Extensive interpretive assistance was provided concerning the application of the executive, administrative and professional exemption to State and local governments. In addition, the first significant litigation against State and local governments was filed in FY 1989. SOL worked closely with Wage-Hour on the training and the proposed regulations for the SAW/RAW program which took effect in FY 1989. SOL entered into a consent decree resolving the Harris Bank case, under Executive Order 11246. The settlement called for changes in Harris' practices and established a $14 million back pay fund. This is the largest such settlement in a race or sex employment discrimination case ever achieved by the Government against a single employer.

SOL continued to defend the Black Lung Disability Trust Fund against claims filed by ineligible claimants, and against coal mine operators seeking to impose liability on the fund. SOL participated in all appeals where the Trust Fund was potentially liable for benefit payments. It participated in 3,375 cases at the OALJ level, 1,980 cases at the BRB level, and 275 cases at other appellate levels.

In FY 1989, SOL participation in Longshore cases increased at the OALJ level as issues relating to the 1984 amendments to the Longshore Act were raised for the first time. It participated in 1,116 cases at the OALJ level, 112 cases at the BRB level, and 55 cases at other appellate levels.

SOL also defended the OWCP before the ECAB by participating in all significant matters, a total of 436 cases.

In the CETA/JTPA area, work continued in FY 1989 on the disposition of the remaining major CETA cases. Regulatory work included a revision to the dislocated worker program regulations to implement the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA). Regulations were developed to implement the amendments to the Trade Adjustment Assistance (TAA) program included in the Omnibus Trade and Competitiveness Act and to implement the Worker Adjustment and Retraining Notification Act, the plant closing law.

Litigation over the wage setting mechanisms for the H-2A program necessitated development of comprehensive rulemaking to explain the wage rate methodology. Major litigation activities in both the certification of aliens for permanent employment and the certification of temporary agricultural workers also began in FY 1989.

SOL litigated a steady volume of cases at the trial and appellate levels in support of MSHA enforcement actions. Litigation issues included the definition of a "significant and substantial" violation, the meaning and application of an "unwarrantable failure" to comply, and petitions for modification of mandatory safety standards. The SOL received 3,121 cases and concluded 4,447 cases, thereby reducing the number of pending cases from 9,218 to 7,892. Work also continued on proposed standards for air quality, explosives, diesel powered equipment and electricity applicable to both metal/nonmetal and coal mines.

In FY 1989 SOL continued to review investigative files on complaints about union officer elections and trusteeships filed by union members under the LMRDA. An increased amount of time was spent on handling cases arising under UMTA due to evolving policy considerations, the constituencies involved and the large amounts of money distributed pursuant to this statute. Work related to Veterans' reemployment rights was concentrated on two special projects: the work of the interagency task force in drafting a new statute and providing training to the field investigators under the current statute.

SOL also greatly increased its legal support to ILAB with special emphasis on the eastern Europe assistance initiatives.

Throughout FY 1989, SOL was involved in preparing scores of legislative reports to the Congress and OMB, detailing the Department's position on a wide range of issues affecting Departmental programs. SOL was also involved in drafting legislative proposals such as a new initiative on job training designed to improve the delivery of JTPA services to "hard-to-serve" youth and adults. In addition, SOL continued to provide comprehensive legal assistance in a number of Department-wide programs, including the FOIA and PA areas. In FY 1989, the Supreme Court adopted the Department's views in a majority of the cases in which SOL participated. Additionally, the court adopted the position advocated by the Department in every one of the court of appeals cases that reached a final decision.

Changes for 1991

Activity changes:

Built-in:	
Within-grades and promotions	$379,000
Extra day of pay	147,000
Annualization of 1990 pay increase	338,000
Part of 1991 pay increase	506,000
Executive pay increase	220,000
Benefits increase	597,000
FECA	13,000
Travel	47,000
Transportation	1,000
Space rent	161,000
Printing	1,000
Other services	77,000
Supplies	181,000
Equipment	2,000
Non-recurring costs for other rent	-13,000
Non-recurring costs for Working Capital Fund	-107,000
Total Built-in	+$2,550,000
Net Program	+$4,111,000
FTE	63

Legal Services

Proposal: To increase resources for Legal Services by $1,443,000 and 33 FTE for the Employee Retirement Income Security (ERISA) program area.

Rationale: The Pension and Welfare Benefits Administration (PWBA) budget includes an increase of 100 FTE for FY 1991. ERISA enforcement cases referred by PWBA are expected to increase beginning in FY 1990 and are expected to increase dramatically in FY 1991 (from 272 cases received in FY 1990 to 589 cases received in FY 1991) with an addition to the PWBA staff. ERISA cases are also increasing in complexity and time intensity. A typical larger ERISA case occupies more than one attorney for a number of years and involves multiple defendants with well-financed counsel. Additionally, SOL is expected to receive new workload in the form of civil penalty cases (under new section 502(c)(2) of ERISA, plan administrators are subject to a civil penalty of up to $1,000 per day for failure to file timely and substantially correct annual reports).

Program Effect: Legal Services will be able to provide the legal services needed by the PWBA to enforce ERISA.

Base:
FTE: 783 Estimate: $52,479,000

Program Increase:
FTE: +33 Estimate: +$1,443,000

Proposal: To increase resources for Legal Services by $940,000 and 18 FTE for the Occupational Safety and Health (OSHA) program area.

Rationale: The OSHA litigation workload will remain at high levels as OSHA continues its firm stance on enforcement and the issuance of higher penalties. OSHA program increases in FY 1990 and FY 1991 is expected to result in increases in Federal and State inspections from 147,719 in FY 1989, to 164,350 in FY 1990, to 168,350 in FY 1991. Litigation is expected to increase by 515 incoming cases between FY 1990 and FY 1991. OSHA cases being referred to SOL have also increased in complexity for a variety of reasons, including an increase in the number of complex citations (for example, serious, willful and repeat violations); an increase in use of the egregious penalty policy; an increased emphasis on new programs; attention to ergonomic issues; and continued attention to large recordkeeping cases. Increased criminal referrals in OSHA are expected in FY 1991 and will cause an increase in the legal review process. SOL will also continue to provide legal review and assistance in OSHA's rulemaking efforts as well as continue to litigate a large number of major standards cases.

Program Effect: SOL will be able to support OSHA's enforcement programs.

Base:
FTE: 783 Estimate: $52,479,000

Program Increase:
FTE: +18 Estimate: +$940,000

Proposal: To increase resources for Legal Services by $314,000 and 6 FTE for the Office of Federal Contract Compliance Programs (OFCCP) program area.

Rationale: The Office of the Solicitor recently experienced increases in OFCCP enforcement cases referred for litigation and in administrative appeals. Much of the increased workload is attributable to the recent hiring of additional compliance officers. In FY 1989, SOL received 173 cases. This number is expected to increase to 185 in FY 1990 and 194 in FY 1991.

Program Effect: SOL will be able to support the Department's OFCCP enforcement programs and will be able to participate fully in all critical cases.

Base:

FTE: 783	Estimate: $52,412,000

Program Increase:

FTE: +6	Estimate: +$314,000

Proposal: To increase resources for Legal Services by $314,000 and 6 FTE in the Wage and Hour program area.

Rationale: The Office of the Solicitor will be subject to additional workload resulting from new responsibilities in the Wage and Hour program area. The first enforcement actions under the enforcement "teeth" for industrial homework will be filed in FY 1990 with the first appeals coming in FY 1991. Significant court litigation is also anticipated in view of the enhanced enforcement efforts of the Wage and Hour Division. The first cases under the Special Agricultural Worker/Replenishment Agricultural Worker (SAW/RAW) program and temporary alien agricultural labor certification (H-2A) program of the Immigration Reform and Control Act (IRCA) are also anticipated in FY 1990, with appeals filed in FY 1991. SOL will review cases under the new Program Fraud Civil Remedies Act (PFCRA), primarily arising in connection with fraud on certified payrolls filed under the Davis-Bacon Act. The first cases under the Employee Polygraph Protection Act (EPPA) are expected in FY 1990 and continued extensive interpretive activity, trial litigation, and the first appellate cases are expected in FY 1991. The ongoing, wide-ranging review of the child labor regulations is likely to result in continued extensive regulatory activity in FY 1990 and 1991. The new amendments to the Fair Labor Standards Act (FLSA) will result in substantial interpretive, regulatory and litigation activity in FY 1991 -- particularly with regard to the training wage and civil money penalty provisions. In addition, the raise in the minimum wage will likely result in increased employer violations, with concomitant increased litigation. Regulations under the newly enacted Immigration Nursing Relief Act (INRA) should be issued in final in FY 1991, with the bulk of the first cases received during FY 1991 as well.

Program Effect: The additional resources will enable SOL to handle the new workload in the Wage and Hour program area.

Base:

FTE: 783 Estimate: $52,479,000

Program Increase:

FTE: +6 Estimate: +$314,000

Proposal: To increase funding for non-personnel resources by $1,100,000.

Rationale: This program increase will be used for travel ($300,000), stenographic services ($300,000), litigation support services ($200,000), and for personal computer resources ($300,000). The increase in travel is necessary to ensure that Legal Services will be able to appear in essential cases and to depose critical witnesses. In addition, the increase in travel is necessary to convene managers for review and assessment on a quarterly basis, and to convene regular program-specific training sessions on changes in the law, changes in the client agency policies and to discuss litigation strategies and techniques.

The increase in stenographic services is necessary since essential expenditures in this area have been steadily increasing. The need for these services increases as the workload increases. There have also been escalating increases in the charges for the reports as well as increases in the charges for transcript copies.

The increase in funding for litigation support services is necessary since the number of large cases that require litigation support services is expected to increase from 37 in FY 1989 to 60 in FY 1991. These cases are highly complex because they involve large volumes of data and records which cannot be manually manipulated, or involve large numbers of discovery documents or defendants.

The increase in funding for personal computer resources is necessary for Legal Services to complete its approved five-year plan and thus realize its productivity goals. National, regional, and subregional offices will be targeted for these resources. The completed system will provide for computer assisted legal research and improve the quality of SOL's legal information sharing by providing faster and easier access to various legal databases.

Program Effect: The requested resources will enable Legal Services to function as an effective legal organization.

Base:

FTE: 783 Estimate: $52,479,000

Program Increase:

FTE: 0 Estimate: +$1,100,000

DM-40

CLIENT: PENSION AND WELFARE BENEFITS ADMINISTRATION

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION			
PENDING 10/1	265	345	472
RECEIVED	166	272	589
CONCLUDED	86	145	335
PENDING 9/30	345	472	726
OPINIONS			
PENDING 10/1	38	55	100
RECEIVED	301	335	370
CONCLUDED	284	290	370
PENDING 9/30	55	100	100
REGULATIONS			
PENDING 10/1	7	3	4
RECEIVED	8	6	6
CONCLUDED	12	5	6
PENDING 9/30	3	4	4
PROFESSIONAL STAFF	61	61	98
CLERICAL STAFF	15	15	23

CLIENT: OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION			
PENDING 10/1	3,304	4,265	5,730
RECEIVED	7,702	8,315	8,830
CONCLUDED	6,741	6,850	8,000
PENDING 9/30	4,265	5,730	6,560
OPINIONS			
PENDING 10/1	534	1,296	1,496
RECEIVED	3,165	3,375	3,600
CONCLUDED	2,403	3,175	3,500
PENDING 9/30	1,296	1,496	1,596
REGULATIONS			
PENDING 10/1	62	63	65
RECEIVED	16	13	12
CONCLUDED	15	11	12
PENDING 9/30	63	65	65
PROFESSIONAL STAFF	78	77	95
CLERICAL STAFF	20	19	19

DM-41

CLIENT: EMPLOYMENT STANDARDS ADMINISTRATION
PROGRAM: WAGE AND HOUR DIVISION

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION			
PENDING 10/1	5,975	6,327	6,647
RECEIVED	3,439	3,550	3,568
CONCLUDED	3,087	3,230	3,585
PENDING 9/30	6,327	6,647	6,630
OPINIONS			
PENDING 10/1	431	798	1,113
RECEIVED	1,674	1,680	1,680
CONCLUDED	1,307	1,365	1,445
PENDING 9/30	798	1,113	1,348
REGULATIONS			
PENDING 10/1	10	14	14
RECEIVED	60	60	60
CONCLUDED	56	60	60
PENDING 9/30	14	14	14
PROFESSIONAL STAFF	127	127	132
CLERICAL STAFF	33	32	33

PROGRAM: OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAMS (OFCCP)

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION			
PENDING 10/1	216	250	291
RECEIVED	173	185	194
CONCLUDED	139	144	178
PENDING 9/30	250	291	307
OPINIONS			
PENDING 10/1	149	140	171
RECEIVED	503	556	581
CONCLUDED	512	525	570
PENDING 9/30	140	171	182
REGULATIONS			
PENDING 10/1	1	2	2
RECEIVED	2	2	1
CONCLUDED	1	2	2
PENDING 9/30	2	2	1
PROFESSIONAL STAFF	21	21	26
CLERICAL STAFF	5	5	6

DM-42

CLIENT: EMPLOYMENT STANDARDS ADMINISTRATION
OFFICE OF WORKERS' COMPENSATION PROGRAMS
PROGRAM: BLACK LUNG

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION/ALJ			
PENDING 10/1	8,007	5,028	2,748
RECEIVED	3,154	3,000	3,000
CASES PARTICIPATED IN	3,375	2,904	1,875
ALJ DISPOSITIONS	6,133	5,280	3,410
PENDING 9/30	5,028	2,748	2,338
LITIGATION/BRB			
PENDING 10/1	6,251	6,598	6,183
RECEIVED	3,597	3,260	2,542
CASES PARTICIPATED IN	1,980	1,430	1,802
BRB DISPOSITIONS	3,250	3,675	3,004
PENDING 9/30	6,598	6,183	5,721
LITIGATION/APPEALS			
PENDING 10/1	225	221	226
RECEIVED	321	330	280
CASES PARTICIPATED IN	275	260	280
COURT DECISIONS	325	325	325
PENDING 9/30	221	226	181
PROFESSIONAL STAFF	89	70	70
CLERICAL STAFF	35	26	26

PROGRAM: FEDERAL EMPLOYEES COMPENSATION ACT (FECA)

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION/ECAB			
PENDING 10/1	883	920	915
RECEIVED	1,943	1,900	1,900
CASES PARTICIPATED IN	436	435	450
CONCLUDED	1,906	1,905	1,905
PENDING 9/30	920	915	910
FECA SUBROGATION			
PENDING 10/1	10,456	10,819	10,929
RECEIVED	1,549	1,240	1,285
CONCLUDED	1,186	1,130	1,130
PENDING 9/30	10,819	10,929	11,084
PROFESSIONAL STAFF	15	14	14
CLERICAL STAFF	6	6	6

DM-43

CLIENT: EMPLOYMENT STANDARDS ADMINISTRATION
OFFICE OF WORKERS' COMPENSATION PROGRAMS
PROGRAM: LONGSHORE

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION/ALJ			
PENDING 10/1	3,634	3,985	3,470
RECEIVED	4,096	4,000	3,400
CASES PARTICIPATED IN	1,116	1,128	1,140
ALJ DISPOSITIONS	3,745	4,515	3,838
PENDING 9/30	3,985	3,470	3,032
LITIGATION/BRB			
PENDING 10/1	1,297	1,388	1,472
RECEIVED	862	768	652
CASES PARTICIPATED IN	112	115	115
BRB DISPOSITIONS	771	684	684
PENDING 9/30	1,388	1,472	1,440
LITIGATION/APPEALS			
PENDING 10/1	89	89	89
RECEIVED	70	100	100
CASES PARTICIPATED IN	55	60	60
COURT DECISIONS	70	100	90
PENDING 9/30	89	89	99
PROFESSIONAL STAFF	25	25	25
CLERICAL STAFF	10	10	10

CLIENT: DEPARTMENT OF LABOR
PROGRAM: FEDERAL TORT CLAIMS ACT (FTCA)

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION/CLAIMS			
PENDING 10/1	76,410	87,927	100,857
RECEIVED	11,850	13,300	14,100
CONCLUDED	333	370	440
PENDING 9/30	87,927	100,857	114,517
PROFESSIONAL STAFF	5	5	5
CLERICAL STAFF	2	2	2

DM-44

CLIENT: MINE SAFETY AND HEALTH ADMINISTRATION

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION			
PENDING 10/1	9,218	7,892	6,869
RECEIVED	3,121	3,262	3,214
CONCLUDED	4,447	4,285	4,285
PENDING 9/30	7,892	6,869	5,798
OPINIONS			
PENDING 10/1	184	410	610
RECEIVED	1,130	1,120	1,120
CONCLUDED	904	920	920
PENDING 9/30	410	610	810
REGULATIONS/STANDARDS			
PENDING 10/1	23	28	24
RECEIVED	12	6	12
CONCLUDED	7	10	10
PENDING 9/30	28	24	26
PROFESSIONAL STAFF	46	46	46
CLERICAL STAFF	16	15	15

CLIENT: EMPLOYMENT AND TRAINING ADMINISTRATION

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION			
PENDING 10/1	1,137	1,268	1,278
RECEIVED	576	610	615
CONCLUDED	445	600	600
PENDING 9/30	1,268	1,278	1,293
OPINIONS			
PENDING 10/1	36	100	100
RECEIVED	1,218	1,240	1,240
CONCLUDED	1,154	1,240	1,140
PENDING 9/30	100	100	200
REGULATIONS			
PENDING 10/1	21	22	19
RECEIVED	7	7	9
CONCLUDED	6	10	10
PENDING 9/30	22	19	18
PROFESSIONAL STAFF	28	27	27
CLERICAL STAFF	10	10	10

CLIENT: DEPARTMENT OF LABOR (MISCELLANEOUS PROGRAMS)

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 ESTIMATE
LITIGATION/LEGISLATION 1/			
PENDING 10/1	992	1,112	966
RECEIVED	2,230	2,097	2,212
CONCLUDED	1,878	1,925	1,915
PENDING 9/30	1,112	1,284	1,263
OPINIONS			
PENDING 10/1	504	816	833
RECEIVED	2,510	2,630	2,640
CONCLUDED	2,198	2,613	2,600
PENDING 9/30	816	833	873
REGULATIONS			
PENDING 10/1	21	22	22
RECEIVED	55	47	46
CONCLUDED	54	47	45
PENDING 9/30	22	22	23
PROFESSIONAL STAFF	73	73	69
CLERICAL STAFF	22	22	21

1/ THIS TABLE INCLUDES LEGISLATIVE ACTIVITIES WHICH BECOME MOOT AT THE END OF A CONGRESSIONAL SESSION AND ARE NOT CARRIED OVER INTO THE NEXT YEAR'S WORKLOAD.

INTERNATIONAL LABOR AFFAIRS
SALARIES AND EXPENSES

JUSTIFICATION

1990 Appropriation		1990 Estimate		1/ Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
78	$6,361,000	78	$6,461,000	0	+$100,000	79	$6,785,000	+1	+$324,000

1/ Included in 1990 Estimate above: Reflects an adjustment of GSA space rent assessment from the Adjudication activity........	+$100,000

Introduction

This activity fulfills the Department of Labor's (DOL) international responsibilities. DOL's goals in this area are (1) to assure that the needs and interests of American workers are given due consideration in the formulation and implementation of U.S. international economic and foreign policies; (2) to support U.S. foreign policy objectives through positive relationships with international organizations (principally the International Labor Organization), foreign governments, U.S. labor unions, and U.S. employer organizations; (3) to assist in promoting U.S. labor, business, and government interests abroad by providing analyses and information on trade unions and labor conditions in other countries; (4) to enhance the welfare of American workers and improve government labor administration in the U.S. by providing opportunities for DOL agencies to benefit from the experiences of foreign labor ministries; and (5) to conduct policy reviews and analyses of the labor market and economic impacts of legislative and regulatory immigration-related initiatives.

1991 Budget Request

For FY 1991 ILAB is requesting 79 FTE and $6,785,000 in funding. This represents an increase of 1 FTE and a net increase of $324,000 over the 1990 Estimate level. The net funding increase consists of built-in personnel and non-personnel increases ($456,000), one program increase ($51,000), and two program decreases ($183,000). These increases and decreases are addressed in more detail in the summary of changes below.

The additional FTE in 1991 will provide analysis and related immigration research in conjunction with the Department's increasing visibility and involvement in the immigration area and will improve the Department's effectiveness in formulating views on an increasing number of legislative issues concerned with immigration. This is particularly important since the thrust of these reforms is labor directed. The Senate and the House have introduced reforms with respect to both the immigrant and non-immigrant admissions system, in most cases to provide for more economic/independent migrants. There is every indication that legislative initiatives will continue in the future. If legislation is enacted in these areas, it will be accompanied by substantial research and reporting requirements for ILAB; for example, the Senate-passed S. 358 mandates annual reports which would, inter alia, require the assessment of "the impact of immigration on labor needs, employment, and other economic and domestic conditions in the United States."

ILAB will continue to implement the mandated worker rights provisions contained in the Generalized System of Preferences (GSP), the overseas Private Investment Corporation (OPIC) reauthorization legislation, and the Omnibus Trade and Competitiveness Act of 1988. ILAB also plans, through labor advisory committees, mandated by statute, to facilitate improved dialogue and understanding between organized labor and government on trade negotiations, international economic policy issues and adjustment problems faced by domestic workers adversely affected by shifts in trade patterns and technological change.

1990

For FY 1990, ILAB's budget is $6,461,000 and 78 FTE.

ILAB is in the process of issuing a grant to the International Labor Organization (ILO) to develop a computerized index of worker rights cases. This information, which is essential to the Department's responsibilities relating to analyzing and reporting on worker rights issues in specific countries, is contained in a variety of ILO reports, comments, and observations.

ILAB is conducting a follow-up survey to the mandated reports developed in compliance with Section 404 of Title IV of the Immigration Reform and Control Act. This follow-up survey will generate the data necessary for the Department's contribution to the President's "Second Report on the Impact of the Legalization Program."

ILAB is continuing to provide policy development support for U.S. objectives in the Uruguay Round and bilateral trade agreements (scheduled to culminate at the end of 1990) and in other multilateral efforts to dismantle barriers to international trade. ILAB will also be a participant in the development of new U.S. trade policy and initiatives concerning the Soviet Union, Poland, and other countries in Eastern Europe.

1989

During FY 1989 ILAB experienced an increased workload due to expanding activities in immigration research as a result of the passage of the Immigration Reform and Control Act of 1986 (IRCA). ILAB continued to have the lead role in the Department on three of the Presidential reports mandated by Title IV of IRCA: the Triennial Comprehensive Immigration Impact Reports (Section 401); the Unauthorized Alien Employment Reports (Section 402); and the Legislation Program Reports (Section 404).

DOL's 246-page contribution to the Triennial report, The Effects of Immigration on the U.S. Economy and Labor Market, was by far the most substantial of all agencies, making up nearly two-thirds of the total report.

ILAB also participated in the development of U.S. government positions in the Uruguay Round, and in the multilateral negotiations concerning services, safeguards, and textiles. ILAB also played an important role in the development of the President's new Steel Program, and in assisting in the implementation of new provisions of U.S. trade law concerning worker rights and unfair trade.

Changes for 1991

Activity Changes:

Built-in:	
Annualization of 1990 pay increase	$38,000
Within-grades and promotions	104,000
One extra day of pay in 1991	18,000
Partial funding of 1991 general pay increase	56,000
Partial funding of Executive pay increase	29,000
FECA	106,000
Benefits (non-FERS)	13,000
GSA space rent	27,000
Working Capital Fund	65,000
Total Built-in	+$456,000
Net Program	-$132,000
FTE	+1

International Labor Affairs

Proposal: An increase of one FTE and $51,000 for policy analysis and related immigration research.

Rationale: ILAB requires additional resources to prepare analyses of, and policy positions on, the increasing number of immigration-related legislative and regulatory proposals affecting the U.S. labor force and the increasing implications for the U.S. labor force of current immigration-related legislation and regulations.

Program Effects: The increase will enable ILAB to fulfill its responsibility to meet the increasing demand for policy level analyses of the effects on the U.S. labor market of current and proposed immigration-related legislation and regulations.

Base:
FTE: 78 Estimate: $6,917,000

Program Increase:
FTE: +1 Estimate: +$51,000

Proposal: Reduce contract funding by $150,000.

Rationale: Funding was for one year, 1990, to develop a computer index file of workers' rights cases for the International Labor Organization.

Program Effects: The computer index file is expected to be completed during FY 1990, so no funding will be required for this purpose in FY 1991.

Base:
FTE: 78 Estimate: $6,917,000

Program Decrease:
FTE: 0 Estimate: -$150,000

Proposal: Reduce contract funding by $33,000.

Rationale: Provide for a reduction in non-personnel, contract costs in order to absorb part of the January 1991 pay increase.

Program Effects: ILAB will reduce contracting expenses.

Base:
FTE: 78 Estimate: $6,917,000

Program Decrease:
FTE: 0 Estimate: -$33,000

ADMINISTRATION AND MANAGEMENT
SALARIES AND EXPENSES

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
191	$20,185,000	190	$20,011,000	-1	-$174,000	190	$20,763,000	0	+$752,000

1/ Included in 1990 Estimate above:

Comparative transfer to the Working Capital Fund	$ 0 and -1 FTE
Reflects an adjustment of GSA space rent assessment to the Directorate of Civil Rights	-$174,000

Introduction

The purpose of this activity is to exercise leadership in all Department of Labor (DOL) administration and management programs and services through formulation of economical and efficient policies, systems, and standards consistent with Federal and Departmental regulations, and to ensure efficient and effective operations through development, coordination, and evaluation of administrative and managerial programs. Federal funds are used for all functions of this activity, together with funds from the Black Lung Disability Trust Fund.

This activity encompasses a broad range of administrative and managerial support services to the Department. The major goals and objectives for the activity are as follows: (1) to provide overall leadership in all DOL administration and management programs and services; (2) to develop financial policy and strengthen internal controls and to develop Departmental budgetary formulation, justification, and execution systems in a manner to ensure technical accuracy and programmatic soundness; (3) to strengthen and improve the leadership of the Department's personnel management program, particularly as required by the Civil Service Reform Act; (4) to provide consistent and constructive internal labor-management relations throughout the Department of Labor; (5) to improve the effective management of the Department by developing and evaluating agency implementation of effective management policies and system and staff utilization; (6) to negotiate and approve indirect cost proposals and cost allocation plans in a timely and effective manner for State agencies, local governments, and other organizations receiving grants and contracts from the Department; (7) to provide leadership and Departmental management for the planning and use of automatic data processing, office automation, and data telecommunications; and (8) to plan promote and direct a centralized library program for the Department.

1991 Budget Request

The goals of the Office of Assistant Secretary for Administration and Management (OASAM) in 1991 will be to continue implementation and refinement of the Administration's initiatives for improving the management process and administrative systems of the Department initiated under Reform '88 and in the Grace Commission's recommendations for DOL. The FY 1991 request reflects no increase of FTE over the 1990 level (190 FTE) and an increase in funding of $752,000 due to built-in personnel and non-personnel factors. The goals of OASAM are outlined by the following activities:

Directorate of Information Resource Management (DIRM)

-- Continue to provide data communications services for the Department.

-- Continue maintaining and operating existing administrative systems and, within the limits of available funding, continue to enhance and modernize these systems.

-- Continue the development and implementation of systems to improve efficiency and effectiveness of National Capital Service Center and Regional operations.

-- Continue operating a Computer Technology Center for support of microcomputer users in the Department.

-- Continue to operate a Test, Evaluation, and Certification Center to research, plan, and develop a microcomputer and network specifications for the Department.

-- Continue to emphasize programs and systems designed to meet the productivity improvement goals of the Administration.

-- Continue to provide oversight of A-76 and management efficiency studies conducted by agencies of DOL in accordance with the established review schedule and Executive Order 12615.

-- Continue emphasis in controlling the Department's information collection budget and improving records management practices.

-- Continue support of the Department's personnel system using software developed by the Air Force with renegotiated host computer support.

-- Continue development of Department-wide standards for security, systems development, telecommunications, and end-user computing, Local Area Networks (LANs), software, etc.

-- Continue oversight of the acquisition and management of information technology resources.

Directorate of Personnel Management (DPM)

-- Continue personnel management evaluation function to ensure that internal controls are maintained.

-- Continue periodic assessment of the DOL staffing program.

-- Provide education and technical assistance to servicing personnel offices, especially in those areas where further delegation of examining authority and of personnel management authority has been given.

-- Continue efforts to ensure DOL-wide uniformity in the assignment of Personnel Management Information System (PERMIS) organization codes and correcting inconsistencies in Agency organization codes.

-- Implement Federal Employee Health Benefits (FEHB) and Pay reform that is expected to be passed by Congress.

-- Implement revised classification program that is likely to be enacted by Congress.

Library

-- The Library will continue to provide a full range of services to client agencies, while adjusting the book/periodical collection to changes in user needs.

Comptroller

-- Continue to provide policy leadership and control to Presidentially-directed budget and employment ceilings and other financial management, accounting and payroll improvements. Continue to coordinate management actions, assuring that OASAM and the Department are responsive to initiatives stemming from Chief Financial Officers' Council, the Cabinet Councils, the President's Management Improvement Program, and new legislation.

-- Continue to give priority and emphasis to enhanced financial policies, procedures and systems, specifically cash management, credit management/debt collection, space management, travel management, internal controls and other resource utilization improvements under Reform '88 and Congressional and Presidential management improvement initiatives. Assure conformance to GAO standards and OMB guidelines, as specified in the Federal Manager's Financial Integrity Act.

Office of Procurement and Grant Management (OPGM)

-- Continue to support competitive, efficient procurement actions within the Department by assessing the effectiveness of the Department's procurement system through on-site reviews, by policy development and training, and by analyzing Annual Advanced Procurement Plans.

1990

DIRM

In FY 1990, DIRM is:

-- Continuing to expand the services and coverage of the Executive Computer Network, improve productivity and records management, and provide oversight of ADP acquisitions on a department-wide basis.

-- Initiating implementation of the FTS-2000 telecommunications system to replace the Department's current data communications facilities.

-- Continuing with the three-year cycle of GSA-required Triennial IRM Review Program.

DPM

In FY 1990, DPM is:

-- Testing and applying the draft OPM/DOL general compliance grade level guide to DOL positions in ESA, PWBA, OSHA, and OLMS. Review governmentwide comments and recommendations and revise the guide as appropriate.

-- Replacing the PERMIS equipment and moving from a Burroughs mainframe to a new and more powerful Sperry mainframe.

-- Downloading PERMIS data to PCs to manipulate and analyze this data by use of spreadsheets and database management software.

-- Continuing term negotiations with Loca'. 12, AFGE, pending final determination by the Federal Labor Relations Authority on several issues.

-- Taking the lead in a joint labor-management review of the NCFLL collective bargaining agreement, which will be renegotiated in FY 1991.

Library

In 1990 the Library is:

-- Continuing to monitor closely to assess and maintain the quality of service under contractor operations.

-- Purchasing and installing additional memory to upgrade the automated library information system (UNICORN).

-- Investigating technical compatibility of the UNICORN system with the planned DOL-wide Local Area Network in order to locate and retrieve information from remote DOL work areas.

Comptroller

In 1990 the Office of the Comptroller is:

-- Continuing the integration of the reports the Department prepares annually for the Treasury Department with the Departmental financial statements.

-- Continuing development of the first combined audit/management report on the status of open audit findings and recommendations.

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OPGM

In 1990 OPGM will:

-- Complete its annual on-site reviews of the Department's contracting offices. These reviews sustain high caliber operations and are the basis of the bi-annual certification of the procurement system to the Secretary.

-- Continue the on-going activities which include performing analyses of the Annual Advanced Procurement Plans of the agencies for competition and preaward planning purposes, providing ongoing policy and technical support to the procurement and grant community, and continuing Procurement Review Board and Competition Advocacy functions.

-- Continue efforts necessary to conduct the cost analysis and negotiation program according to OMB Circulars A-76, A-87 and A-122 and the Federal Acquisition Regulation will continue.

1989

DIRM

-- DIRM completed information records management policy revisions.

-- In cooperation with the National Capital Service Center, DIRM developed Departmentwide procurement vehicles for office automation workstations, software, Local Area Network (LAN) equipment, technical assistance, and systems development assistance.

-- DIRM initiated LAN site surveys and installation of LAN systems and provided conferences and guides for LAN planning, acquisition, implementation and management.

DPM

-- On behalf of the Department, DPM directed negotiations with AFGE Local 12, whose bargaining agreement with the Department was up for renewal. DPM also signed a landmark agreement with the NCFLL to revise their negotiated agreement with the Department in a positive, nonconfrontational way over the next two years.

-- Developed and piloted a new labor management and employee relations training course for managers and supervisors throughout the Department.

Library

-- During 1989 the Library purchased, installed, and placed on-line two modules of the UNICORN Integrated Library System. This automated system generates overdue notices, monthly circulation statistics, and special reports as needed.

Comptroller

During FY 1989, the Comptroller continued to emphasize efficiency, cost reduction and service improvements in financial management, budget, and accounting. Included among specific accomplishments were these:

-- In cooperation with the Office of Inspector General, completed special analyses and reports for the Deputy Secretary and OMB, highlighting accomplishments as well as the work needed to continue improving the way the Department's resources are safeguarded.

-- Published the 1987 Departmental consolidated financial statements, prepared the 1988 statements, and began preparation of the 1989 statements.

-- Initiated the integration of the reports the Department prepares annually for the Treasury Department with the Departmental financial statements.

-- Initiated preparation of the first combined audit/management report on the status of open audit findings and recommendations.

-- In cooperation with DPM, improved the national and regional servicing payroll and personnel offices' processing of employee separation packages.

OPGM

-- Initiated a major effort to increase the number of discretionary grants awarded competitively. To accomplish this a task force was assembled to develop criteria for the award of non-competitive grants. These criteria were put into effect in September 1989 in a rewrite of the Department's procurement management regulations.

-- Ongoing activities to support competitive, efficient procurement action in the Department continued, including assessing the effectiveness of the Department's procurement system through on-site reviews and analysis of agency self-certifications. In addition, there was continued emphasis on the importance of competitive procurement through policy development and training and analyzing Annual Advanced Procurement Plans of the agencies for competition and pre-award planning purposes.

-- Provided streamlined cost negotiation support to the procurement and grant offices of the Department and provided continued cost negotiation and analysis support to operating offices.

Changes for 1991

Activity Changes	
Built-in:	
Annualization of 1990 pay increase, effective January 1990	$99,000
Within-grades and promotions	300,000
Extra day of pay in 1991	44,000
Partial funding of 1991 pay increase, effective in January 1991	137,000
Partial funding of Executive pay increase, effective in January 1991	70,000
FECA	35,000
Other benefits (non-FERS)	32,000
Travel	13,000
Transportation	2,000
GSA space rent	41,000
Other rent	37,000
Printing	2,000
Working Capital Fund	68,000
Supplies	10,000
Equipment	7,000
Total Built-in	+$897,000
Net Program	-$145,000
FTE	-0-

Administration and Management

Proposal: To reduce funding by $145,000.

Rationale: To provide for a reduction in non-personnel costs in order to absorb part of the January 1991 pay increase.

Program Effects: The Directorate of Information Resource Management will reduce its automated systems support contracts.

Base:
FTE: 190 Estimate: $20,908,000

Program Decrease:
FTE: 0 Estimate: -$145,000

Workload Measures

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Directorate of Information Resources Management			
Office of ADP Operations			
Procurement requests	524	500	500
Contracts/purchase orders	430	300	300
Invoices	3,680	3,600	3,600
Administration centralized contracts	16	2	2
Office of Information Management and Productivity			
Information collection requests reviewed	214	200	200
Freedom of Information Act coordination	240	195	195
Departmental records management	6	7	7
Departmental directives issued	31	28	28
Office of IRM Policy and Evaluation			
GSA delegations (APRS/ATRS) requested	32	40	40
Procurement requests analyzed for regulatory compliance	250	240	240
Planning and budget documents analyzed	175	170	170
Legislation/regulations/policy directives analyzed (external sources)	36	42	42
Reports required by external sources (OMB, GSA, etc.) prepared	42	10	10
DOL policy documents issued or revised	8	8	8
DOL procedural guidance/standards issued or revised	8	10	10
DOL directories (i.e., inventories issued verified, or revised)	6	5	5
IRM reviews conducted	5	3	3
Automated directory/planning systems developed or revised	2	1	1

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Office of Administrative Systems			
Systems in production	48	50	60
Request for minor modification/maintenance of current systems	390	400	450
Request for major modification of current systems	27	25	30
Request for new systems development	18	20	25
Office of Procurement and Grant Management			
Procurement and Grant Policy			
Procurement Reviews Conducted	12	10	10
Annual Advance Procurement Plans Reviewed	16	16	16
Sole Source and Consulting Actions Analyzed	82	75	75
DLMS Chapters Prepared	3	3	2
Regulations Issued	2	2	2
Cost Determination			
DOL Agreements Negotiated	280	300	275
Contracts/Grants Closeouts	295	320	300
Financial Reconciliations	100	100	100
Field Pricing Support Reviews	40	40	50
Directorate of Personnel Management			
DPM Issuance			
Includes DLS and PMS issuances, workforce planning, other analytical reports, & documents to unions but not regular correspondence	900	950	950
Cases/Appeals Reviewed			
Includes adverse actions, arbitrations unfair labor practice charges, classification appeals, major organizational reviews, grievances, suitability & investigative reviews, whistleblower complaints, & qualification determinations	2,700	2,080	1,625
SES, supergrades, consultant & schedule C qualifications, documents reviewed	1,200	750	750

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Personnel Management Evaluations			
Includes regular, regulatory, merit staffing reviews, and special evaluations......................	16	16	8
Technical inquiries.............	11,850	11,850	12,300

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ADJUDICATION
SALARIES AND EXPENSES

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
482	$29,309,000	482	$29,034,000	0	-$275,000	436	$27,857,000	-46	-$1,177,000

1/ Included in 1990 Estimate above:

Reflects an adjustment of GSA space rent assessment to:

Women's Bureau	-$175,000
Bureau of International Labor Affairs	-$100,000

Introduction

The Adjudication Activity consists of four components: (1) the Office of Administrative Law Judges (OALJ), (2) the Benefits Review Board (BRB), (3) the Employees' Compensation Appeals Board (ECAB), and (4) the Wage Appeals Board (WAB). These organizations derive funds from general and trust fund accounts to maintain operations.

The Office of Administrative Law Judges (OALJ) presides over formal hearings, conducted primarily under the Administrative Procedures Act, to determine violations of the minimum wage requirements, overtime payments, health and safety regulations set forth under the Walsh-Healy Public Contract Act, the McNamara-O'Hara Service Contract Act, the Contract Work Hours Standards Act, the Comprehensive Employment and Training Act, the Job Training Partnership Act, the Migrant and Seasonal Farm Worker Protection Act, and Executive Order 11246. Formal hearings are also conducted to determine the validity of claims filed under the District of Columbia Workmen's Compensation Act, the Non-Appropriated Funds Instrumentalities Act, and the Davis-Bacon Act. Hearings are conducted and decisions issued on claims filed under the Longshore and Harbor Workers' Compensation Act and under the Black Lung Benefits Reform Act of 1977 as subsequently amended. Designated judges having the requisite qualifications also serve as members of the Department of Labor (DOL) Board of Contract Appeals and the National Review Panel, the latter being the highest appellate level for hearings and appeals required by the Talmadge Amendments to the Social Security Act. Additionally, hearings are conducted and decisions rendered under the Federal Mine Safety and Health Act of 1977 (MSHA) and under statutes regarding the certification of aliens in both agricultural and non-agricultural employment. Including those enumerated above, the OALJ has jurisdiction in more than 70 separate case areas.

The Benefits Review Board (BRB) reviews and determines appeals raising substantial questions of law or fact taken by any party in interest from decisions of administrative law judges regarding claims for compensation filed by employees pursuant to provisions of the Black Lung Benefits Reform Act of 1977 as amended and the Longshore and Harbor Workers' Compensation Act and its extensions. The BRB also receives cases under these acts directly from the Office of Workers' Compensation Programs (OWCP), Employment Standards Administration (ESA). The BRB exercises the same judicial appellate review authority formerly exercised by the United States District Courts. Appeals received by the BRB are docketed, reviewed by either docket or paralegal staff and acknowledged. Once all requisite responses, submissions and supporting documents are received, a recommended decision is prepared by the legal staff for review and decision by the BRB members. When deemed necessary by the BRB members, oral argument may be granted and scheduled on a regional basis.

The Employees' Compensation Appeals Board (ECAB) is a quasi-judicial appellate body consisting of three members, one of whom is designated Chairman, and three alternate members. The ECAB was established in 1946 by the Federal Employees' Compensation Act (5 U.S.C. Section 8101 et seq.). The Act serves approximately 3,000,000 federal employees (who may be injured in the work place) and awards in excess of 1.2 billion dollars in annual benefits. Any person adversely affected by a decision of the Office of Workers' Compensation Programs (OWCP), Employment Standards Administration (ESA), has a right to request a review by the ECAB of questions of law, fact or discretion covered by such decision. The ECAB's decisions are final and not subject to Administrative or judicial review. The ECAB sits in panels and decides cases on the record or after oral argument. The ECAB's precedents are binding on the OWCP in the administration of the Act. Key decisions are published annually.

The Wage Appeals Board (WAB) was established on December 30, 1963, to provide effective and independent final appellate administrative review to parties adversely affected by final decisions of the Solicitor of Labor rendered under the Davis-Bacon Act and related acts, and decisions by the Administrator of the Wage and Hour Division, Employment Standards Administration (ESA), pursuant to these same acts. Acting on behalf of the Secretary, the three-member board reaches its decisions by majority vote. Its opinions are often appealed directly to the United States District Courts, but are rarely reversed.

1991 Budget Request

The Adjudication activity request is $27,857,000 and 436 FTE. Of these amounts, $13,465,000 and 201 FTE are attributable to the General Fund and $14,392,000 and 235 FTE are attributable to the Black Lung Disability Trust Fund (BLDTF). The total request level is $1,177,000 and 46 FTE lower than the FY 1990 estimate.

The Office of Administrative Law Judges (OALJ) requests $16,217,000 and 230 FTE in FY 1991. Of these amounts, $8,954,000 and 127 FTE are attributable to the General Fund and $7,263,000 and 103 FTE are attributable to the Black Lung Disability Trust Fund (BLDTF). The request level includes program decreases of $432,000 and 6 FTE related to the General Fund and $1,560,000 and 24 FTE related to the BLDTF. The workload for the OALJ may be divided into three categories -- Black Lung, Longshore and District of Columbia Worker's Compensation (Longshore), and traditional. The traditional category consists of cases involving the Comprehensive Employment and Training Act (CETA), the Job Training Partnership Act, the Agricultural Work program, the Work Incentive program and Immigration program, the Employee Protection program, the Wage and Hour program, the Civil Rights program, the Board of Contract Appeals and other miscellaneous programs. For FY 1991 for Black Lung, the OALJ expects to begin the year with 2,748 cases, to receive 3,000 new cases, to dispose of 3,410 cases, and to end the year with 2,338 cases in progress and no backlog. For FY 1991 for Longshore, the OALJ expects to begin the year with 3,470 cases, to receive 3,400 new cases, to dispose of 3,838 cases, and to end the year with 3,032 cases in progress. In the past fiscal year, the Benefits Review Board (BRB) has been issuing decisions involving issues arising from the 1984 Amendments to the Longshore and Harbor Workers' Compensation Act. As a result, counsel (either claimant, employer, carrier, or Director) are not inclined to settle these cases. In addition, counsel for the Special Fund is entering an appearance and is defending the Special Fund in all cases in which Section 8(f) relief is sought. These actions give rise to more complex cases and a reduction in case disposition levels in the Longshore program area. For FY 1991 for the traditional workload, the OALJ expects to begin the year with 1,613 cases, to receive 1,120 new cases, to dispose of 1,071 cases, and to end the year with 1,060 cases in progress. A backlog of 602 cases is anticipated, which is comparable to the backlog at the beginning of the fiscal year. It is expected that the CETA workload will be eliminated.

The Benefits Review Board (BRB) requests $8,912,000 and 165 FTE in FY 1991. Of these amounts, $1,783,000 and 33 FTE are attributable to the General Fund and $7,129,000 and 132 FTE are attributable to the Black Lung Disability Trust Fund (BLDTF). The request level includes a program decrease of $659,000 and 16 FTE related to the BLDTF. The workload for the BRB may be divided into two categories -- Black Lung, and Longshore and District of Columbia Worker's Compensation (Longshore). The BRB anticipates 2,542 new Black Lung and 652 new Longshore cases. Requested resources will enable the Board to dispose of a total of approximately 3,700 Black Lung and Longshore cases. The backlog of Black Lung cases will continue. Pending Black Lung and Longshore cases are anticipated to number 5,721 and 1,440, respectively. The BRB anticipates that 10,168 motions related to Black Lung appeals and 1,304 new Longshore motions will be filed, that 8,400 and 1,200 non-final orders will be issued for Black Lung and Longshore programs, respectively, and that 15,632 Black Lung and 3,343 Longshore motions will be pending at the end of the fiscal year. Also, the BRB anticipates 754 new attorney fee petitions will be filed, that 700 attorney fee decisions will be issued, and that 240 attorney fee petitions will be pending.

In 1991 the Employees' Compensation Appeals Board (ECAB) requests $2,397,000 and 36 FTE. No program increases or decreases are included in this request. The ECAB anticipates docketing 1,900 new appeals and deciding 1,905 cases. The number of pending appeals is expected to decline very slightly, from 915 to 910, since the number of decisions issued will marginally exceed the number of new appeals.

The Wage Appeals Board (WAB) requests $331,000 and 5 FTE for FY 1991. No program increases or decreases are included in this request. The 5 FTE will be used to staff 1 full-time Chairman, 2 part-time Members, 1 full-time Executive Director, 1 full-time senior attorney, and 1 full-time secretary. The WAB anticipates beginning the year with 60 appeals in progress, receiving 40 new appeals, and resolving 54 appeals, and ending the year with 46 appeals in progress.

1990

The Adjudication activity resource totals are $29,034,000 and 482 FTE. Of these amounts, $12,561,000 and 207 FTE are attributable to the General Fund and $16,473,000 and 275 FTE are attributable to the Black Lung Disability Trust Fund (BLDTF).

The Office of Administrative Law Judges (OALJ) estimate is $17,757,000 and 260 FTE. Of these amounts, $9,040,000 and 133 FTE are attributable to the General Fund and $8,717,000 and 127 FTE are attributable to the Black Lung Disability Trust Fund (BLDTF). The workload for the OALJ may be divided into the same three categories outlined under the FY 1991 section -- Black Lung, Longshore and District of Columbia Worker's Compensation (Longshore), and traditional. For FY 1990 for Black Lung workload, all cases are current. Having met the Secretary's Black Lung Task Force goal of eliminating the Black Lung backlog, OALJ requested a program decrease of 58 FTE. Specifically, the OALJ expects to begin the year with 5,028 cases, to receive 3,000 new cases, to dispose of 5,280 cases, and to end the year with 2,748 cases in progress and no backlog. For FY 1990 for Longshore, resources increased by 2 FTE in addition to the reprogramming of 25 FTE in FY 1989. This program area is expected to generate 2,500 new hearing loss cases in addition to a 15% increase in cases over the base level during fiscal years 1988, 1989, and 1990. Specifically, the OALJ expects to begin the year with 3,985 cases, to receive 4,000 new cases, to dispose of 4,515 cases, and to end the year with 3,470 cases in progress and no backlog. For FY 1990 for the traditional workload, the OALJ expects to begin the year with 1,488 cases, to receive 1,270 new cases, to dispose of 1,145 cases, and to end the year with 1,055 cases in progress. A backlog of 558 cases is anticipated.

The Benefits Review Board (BRB) estimate is $9,063,000 and 181 FTE. Of these amounts, $1,307,000 and 33 FTE are attributable to the General Fund and $7,756,000 and 148 FTE are attributable to the Black Lung Disability Trust Fund (BLDTF). The BRB began FY 1990 at its authorized ceiling. During fiscal year 1990, in order to live within overall resources and because of the need to absorb the January 1990 pay raise, the BRB implemented certain actions. These actions include, but are not limited to, a hiring freeze, a freeze on training, a freeze on cash awards and the elimination of all overtime. During the fiscal year, the BRB projects 3,260 new Black Lung and 768 new Longshore appeals. The BRB anticipates that 13,040 new motions related to Black Lung appeals and 1,536 new Longshore motions will be filed, and that 11,900 Black Lung and 1,200 Longshore non-final orders will be issued, with 13,864 Black Lung and 3,239 Longshore motions pending. Also, the Board anticipates 754 new attorney fee petitions will be filed, that 700 attorney fee decisions will be issued, and that 186 attorney fee positions will be pending.

The Employees' Compensation Appeals Board (ECAB) expects to receive 1,900 new appeals in FY 1990 and to issue 1,905 decisions. Appeals pending are expected to number 915. Continuing the trend of recent years, emphasis will be placed on issuing dispositive final decisions as opposed to one page orders which, in the past, often resulted in a case being returned to the Office of Workers' Compensation on technical, procedural grounds. Appeals involving complex issues requiring extensive research and consideration by the ECAB and legal staff continue to increase.

The Wage Appeals Board (WAB) anticipates 40 new appeals in FY 1990. The WAB expects to resolve 48 appeals with 60 appeals pending. The new appeal rate represents a return to normal case load filings after an anomalous 24 appeals received in FY 1989.

1989

The Office of the Administrative Law Judges (OALJ) workload was divided into three categories, as outlined above -- Black Lung, Longshore and District of Columbia Worker's Compensation (Longshore), and traditional. The OALJ eliminated the Black Lung backlog in FY 1989. Total disposition levels were at 11,000 instead of the expected 12,800 levels due to the effects of attrition (58 positions) prior to the end of the fiscal year. Specifically, for Black Lung, the OALJ began the year with 8,007 cases in progress, received 3,154 new cases, and disposed of 6,133 cases. For FY 1989 for Longshore, General Fund resources were allocated more towards the Longshore program area with a reduction taken against the traditional case program area. Specifically, the OALJ began the year with 3,634 Longshore cases, received 4,096 new cases, disposed of 3,745 cases, and ended the year with 3,745 cases in progress and 240 cases in backlog. For FY 1989 for the traditional workload, the OALJ began the year with 1,503 cases, received 1,041 new cases, disposed of 1,056 cases, and ended the year with 1,048 cases in progress and 440 cases in actual backlog status.

The workload for the Benefits Review Board (BRB) may be divided into two categories -- Black Lung, and Longshore and District of Columbia Worker's Compensation (Longshore). During fiscal year 1989 the BRB disposed of 4,021 appeals, substantially matching its highest-ever level reached in FY 1988. Of the 4,021 dispositions, 3,250 were Black Lung and 771 in the Longshore case area. The BRB received 3,597 new Black Lung and 862 new Longshore appeals, and had 6,598 Black Lung and 1,388 Longshore cases pending. In addition, the BRB received 18,447 new motions and disposed of 16,518 motions, with 15,627 motions pending. It also received 799 new attorney fee petitions and issued decisions on 1,012 petitions for attorneys fees, with 132 petitions pending.

In FY 1989, the Employees' Compensation Appeals Board (ECAB) received 1,943 new appeals and decided 1,906 cases. The ECAB heard oral arguments on 53 cases during the year. A total of 920 appeals were pending at the end of the fiscal year. Computer capability was extended to staff attorneys and docket clerks during the year, and a new computer-based case tracking system was implemented.

Following the appointment of a new chairman just prior to the beginning of the fiscal year, the Wage Appeals Board in FY 1989 received 24 new appeals and resolved 32 appeals.

Changes for 1991

Activity Changes:

Built-in:	
Within-grades and promotions	+$220,000
Extra day of pay	81,000
Annualization of 1990 pay increase	230,000
Part of 1991 pay increase	318,000
Executive pay increase	260,000
Other benefits (non-FERS)	20,000
Travel	16,000
Transportation	1,000
Other rent	31,000
Printing	13,000
Other services	107,000
Working Capital Fund	147,000
Supplies	26,000
Equipment	9,000
FECA	-5,000
Total Built-in	+$1,474,000
Net Program	-$2,651,000
FTE	-46

Adjudication

Proposal: To reduce funding for Black Lung adjudicatory hearing and appeals claim review for the Office of Administrative Law Judges (OALJ) by $1,560,000 and 24 FTE.

Rationale: The staff provided for the OALJ for Black Lung adjudicatory hearing and appeals will not be needed in FY 1991. The FY 1991 base FTE level for this function would enable about 6,400 dispositions, based on historical productivity factors. This disposition level is greater than projected available workload of about 3,800 cases. Accordingly, the base FTE level is greater than necessary for FY 1991. Using the historical productivity factor modified by factors that may affect productivity (such as maintaining optimum job mix in a time of reduced resources) and making allowances for some contingencies, the ceiling base is 24 positions greater than required.

Program Effects: At this requested level the OALJ will be able to dispose of 3,410 Black Lung cases leaving 2,338 cases in progress and no cases in backlog.

Base:
FTE: 482 Estimate: $30,508,000

Program Decrease:
FTE: -24 Estimate: -$1,560,000

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Proposal: To reduce the resources for Longshore adjudicatory hearings for the Office of Administrative Law Judges (OALJ) by $432,000 and 6 FTE.

Rationale: This staff will not be needed in FY 1991.

Program Effects: At the request level the OALJ will be able to dispose of 3,838 Longshore cases leaving 3,032 cases in progress and no cases in backlog.

Base: FTE: 482	Estimate: $30,508,000
Program Increase: FTE: -6	Estimate: -$432,000

Proposal: To reduce funding for Black Lung adjudicatory hearing and appeals claim review for the Benefits Review Board (BRB) by $659,000 and 16 FTE.

Rationale: The staff will not be needed in FY 1991.

Program Effects: At the request level the BRB will be able to issue 3,004 Black Lung decisions on appeals with 5,721 appeals pending at the end of the year.

Base: FTE: 482	Estimate: $30,508,000
Program Decrease: FTE: -16	Estimate: -$659,000

OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)
ADJUDICATION - 7140
FY 1991 REQUEST
SUMMARY WORKLOAD TABLES

CARRYOVER 10/1	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 REQUEST
BLA	8,007 [1]	5,028	2,748
LHCA/DCWC	3,634	3,985	3,470
Traditional	1,503	1,488	1,613
Totals	13,144	10,501	7,831
NEW CASES			
BLA[2]	3,154	3,000	3,000
LHCA/DCWC	4,096 [3]	4,000	3,400
Traditional	1,041	1,270	1,120
Totals	8,291	8,270	7,520
DISPOSITIONS			
BLA	6,133 [4]	5,280 [5]	3,410
LHCA/DCWC	3,745	4,515	3,838
Traditional	1,056	1,145	1,071
Totals	10,934	10,940	8,319
CASE PENDING			
BLA	5,028	2,748	2,338
LHCA/DCWC	3,985	3,470	3,032
Traditional	1,488	1,613	1,662
Totals	10,501	7,831	7,032

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[1] Pending workload includes 700 Lukman cases identified and received prior to the Lukman decision issued by the BRB.

[2] Does not include 2,870 Lukman cases which could be referred to the OALJ based on subsequent actions affecting the Lukman case.

[3] Deferral of 600 cases originally expected to be filed FY 1989.

[4] Decrease in disposition level is attributed to the non-receipt of Lukman cases.

[5] Black Lung Program decrease based on reduction in OALJ staff assigned to process the declining Black Lung workload.

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SUMMARY WORKLOAD TABLES
FY 1991 REQUEST

WORK IN PROGRESS	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 REQUEST
BLA	5,028	2,748	2,338
LHCA/DCWC	3,745	3,470	3,032
Traditional	1,048	1,055	1,060
FY Totals	9,821	7,273	6,430
BACKLOG CASES			
BLA	0	0	0
LHCA/DCWC	240	0	0
Traditional	440	558	602
FY Totals	680	558	602
BACKLOG (MONTHS)			
BLA	0	0	0
LHCA/DC	0.8	0	0
POSITIONS			
BLA			
Judges	55	40	31
Other	130	87	72
FY Subtotals	185	127	103
LHCA/DCWC			
Judges	29	31	27
Other	56	56	54
FY Sub.	85	87	81
Traditional			
Judge	17	17	17
Other	29	29	29
FY Sub.	46	46	46
TOTALS			
Judges	101	88	75
Others	215	172	155
	316	260	230

PROGRAM: BLACK LUNG WORKLOAD
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 REQUEST
CARRYOVER 10/1	8,007	5,028	2,748
NEW CASES	3,154	3,000	3,000
TOTAL DOCKET	11,161	8,028	5,748
DISPOSITIONS	6,133	5,280	3,410
CASES PENDING	5,028	2,748	2,338
WORK IN PROGRESS	5,028	2,748	2,338
BACKLOG CASES	0	0	0
BACKLOG (MONTHS)	0	0	0
Positions:			
JUDGES	55	40	31
OTHER	130	87	72
TOTAL	185	127	103

Note: Tennessee and Kentucky Black Lung filings may increase dramatically because of switch from State court filings to Federal court filings.

PROGRAM: LONGSHORE & D.C. WORKMEN'S COMPENSATION WORKLOAD
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 ACTUAL	FY 1990 ESTIMATE	FY 1991 REQUEST
CARRYOVER 10/1	3,634	3,985	3,470
NEW CASES	4,096	4,000	3,400
TOTAL DOCKET	7,730	7,985	6,870
DISPOSITIONS	3,745	4,515	3,838
CASES PENDING	3,985	3,470	3,032
WORK IN PROGRESS	3,745	3,470	3,032
BACKLOG CASES	240	0	0
BACKLOG (MONTHS)	0.8	0	0
Positions:			
JUDGES	29	31	27
OTHER	56	56	54
TOTAL	85	87	81

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PROGRAM: COMPREHENSIVE EMPLOYMENT AND TRAINING ACT WORKLOAD
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 REVISED ESTIMATE	FY 1990 ESTIMATE	FY 1991 AGENCY REQUEST
CARRYOVER 10/1	133	78	0
NEW CASES	13	0	0
TOTAL DOCKET	146	78	0
DISPOSITIONS	68	78	0
CASES PENDING	78	0	0
WORK IN PROGRESS	68	0	0
BACKLOG CASES	10	0	0
BACKLOG (MONTHS)	1.8	0	0

Positions (Staffing levels for all Traditional case program areas)

JUDGES	17	17	17
OTHER	29	29	29
TOTAL	46	46	46

PROGRAM: AGRICULTURAL WORK WORKLOAD
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 REVISED ESTIMATE	FY 1990 ESTIMATE	FY 1991 ESTIMATE
CARRYOVER 10/1	129	143	143
NEW CASES	87	100	100
TOTAL DOCKET	216	243	243
DISPOSITIONS	73	100	100
CASES PENDING	143	143	143
WORK IN PROGRESS	73	100	100
BACKLOG CASES	70	43	43
BACKLOG (MONTHS)	11.5	5.2	5.2

PROGRAM: JOB TRAINING PARTNERSHIP ACT WORKLOAD
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 REVISED ESTIMATE	FY 1990 ESTIMATE	FY 1991 AGENCY REQUEST
CARRYOVER 10/1	15	38	33
NEW CASES	34	15	15
TOTAL DOCKET	49	53	48
DISPOSITIONS	11	20	20
CASES PENDING	38	33	28
WORK IN PROGRESS	11	20	20
BACKLOG CASES	27	13	8
BACKLOG (MONTHS)	30.0	7.6	4.7

PROGRAM: WAGE HOUR
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 REVISED ESTIMATE	FY 1990 ESTIMATE	FY 1991 ESTIMATE
CARRYOVER 10/1	352	350	355
NEW CASES	228	230	230
TOTAL DOCKET	580	580	585
DISPOSITIONS	230	225	230
CASES PENDING	350	355	355
WORK IN PROGRESS	230	225	230
BACKLOG CASES	120	130	125
BACKLOG (MONTHS)	6.2	6.9	6.5

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PROGRAM: CIVIL RIGHTS
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 REVISED ESTIMATE	FY 1990 ESTIMATE	FY 1991 ESTIMATE
CARRYOVER 10/1	41	45	51
NEW CASES	42	50	50
TOTAL DOCKET	83	95	101
DISPOSITIONS	38	44	44
CASES PENDING	45	51	57
WORK IN PROGRESS	38	44	44
BACKLOG CASES	7	7	13
BACKLOG (MONTHS)	2.2	1.9	3.5

PROGRAM: BOARD OF CONTRACT APPEALS
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 REVISED ESTIMATE	FY 1990 ESTIMATE	FY 1991 ESTIMATE
CARRYOVER 10/1	19	15	14
NEW CASES	7	25	25
TOTAL DOCKET	26	40	39
DISPOSITIONS	11	26	25
CASES PENDING	15	14	14
WORK IN PROGRESS	11	14	14
BACKLOG CASES	4	0	0
BACKLOG (MONTHS)	4.4	0	0

PROGRAM: EMPLOYEE PROTECTION
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 REVISED ESTIMATE	FY 1990 ESTIMATE	FY 1991 ESTIMATE
CARRYOVER 10/1	74	75	125
NEW CASES	84 [1]	150	100
TOTAL DOCKET	158	225	225
DISPOSITIONS	83	100	100
CASES PENDING	75	125	125
WORK IN PROGRESS	75	100	100
BACKLOG CASES	0	25	25
BACKLOG (MONTHS)	0	3.0	3.0

PROGRAM: WORK INCENTIVE PROGRAM & IMMIGRATION
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 REVISED ESTIMATE	FY 1990 ESTIMATE	FY 1991 ESTIMATE
CARRYOVER 10/1	611	626	774
NEW CASES	450	600	500
TOTAL DOCKET	1,061	1,226	1,274
DISPOSITIONS	435	452	452
CASES PENDING	626	774	822
WORK IN PROGRESS	435	452	452
BACKLOG CASES	191	322	370
BACKLOG (MONTHS)	5.3	8.5	9.8

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[1] Current Legislation pending would shift most federal whistle blower adjudication to the Department of Labor. It would also expand the protection to health and safety areas not previously covered. The amount of work this transfer could generate is not certain at the present time.

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PROGRAM: MISCELLANEOUS WORKLOAD
OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)

	FY 1989 REVISED ESTIMATE	FY 1990 ESTIMATE	FY 1991 ESTIMATE
CARRYOVER 10/1	129	118	118
NEW CASES	96	100	100
TOTAL DOCKET	225	218	218
DISPOSITIONS	107	100	100
CASES PENDING	118	118	118
WORK IN PROGRESS	107	100	100
BACKLOG CASES	11	18	18
BACKLOG (MONTHS)	1.2	2.2	2.2

OFFICE OF ADMINISTRATIVE LAW JUDGES (OALJ)
SUMMARY WORKLOAD TABLES

	1989 Actual	1990 Estimate	1991 Estimate
CARRY OVER LEVELS 10/1			
MSHA	27	25	25
OSHA	8	8	8
NEW CASES			
MSHA	15	10	10
OSHA	3	5	5
DISPOSITIONS			
MSHA	17	10	10
OSHA	3	5	5
CASES PENDING			
MSHA	25	25	25
OSHA	8	8	8

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BENEFITS REVIEW BOARD

Black Lung

	FY 1989	FY 1990	FY 1991
APPEALS:			
Carry Over - 10/1	6,251	6,598	6,183
New Appeals Filed	3,597	3,260	2,542
Decisions Issued	3,250	3,675	3,004
Appeals Pending - 9/30	6,598	6,183	5,721
MOTIONS:			
Carry Over - 10/1	11,560	12,724	13,864
New Motions Filed	15,924	13,040	10,168
Non-Final Orders Issued	14,760	11,900	8,400
Motions Pending - 9/30	12,724	13,864	15,632
ATTORNEY FEE PETITIONS:			
Carry Over - 10/1	319	93	93
New Petitions Filed	641	600	600
Decisions on Attorney Fee Petitions Issued	867	600	600
Attorney Fee Petitions Pending - 9/30	93	93	93

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BENEFITS REVIEW BOARD

Longshore

	FY 1989	FY 1990	FY 1991
APPEALS:			
Carry Over - 10/1	1,297	1,388	1,472
New Appeals Filed	862	768	652
Decisions Issued	771	684	684
Appeals Pending - 9/30	1,388	1,472	1,440
MOTIONS:			
Carry Over - 10/1	2,138	2,903	3,239
New Motions Filed	2,523	1,536	1,304
Non-Final Orders Issued	1,758	1,200	1,200
Motions Pending - 9/30	2,903	3,239	3,343
ATTORNEY FEE PETITIONS:			
Carry Over - 10/1	26	39	93
New Petitions Filed	158	154	154
Decisions on Attorney Fee Petitions Issued	145	100	100
Attorney Fee Petitions Pending - 9/30	39	93	147
STAFF ATTORNEYS AUTHORIZED	18	18	18

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EMPLOYEES' COMPENSATION APPEALS BOARD

	FY 1989	FY 1990	FY 1991
Appeals Carried Forward	883	920	915
New Appeals Docketed	1,943	1,900	1,900
Total Docketed	2,826	2,820	2,815
Appeals Closed			
Decisions	1,493	1,510	1,510
Final Orders	413	395	395
Total Dispositions	1,906	1,905	1,905
Appeals Pending	920	915	910
Oral Arguments	53	65	65

WAGE APPEALS BOARD

	FY 1989	FY 1990	FY 1991
Appeals Carried Forward	76	68	60
New Appeals Filed	24	40	40
Total Docketed	100	108	100
Appeals Resolved	32	48	54
Appeals Pending	68	60	46

PROMOTING EMPLOYMENT OF THE DISABLED
SALARIES AND EXPENSES

JUSTIFICATION

1990 Appropriation		1990 Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
37	$2,880,000	37	$2,880,000	0	0	37	$3,700,000	0	+$820,000

Introduction

The President's Committee on Employment of People with Disabilities provides leadership to achieve maximum employment of people with physical and mental disabilities and works to eliminate barriers standing in the way of employment opportunities. Educational, informational and technical assistance programs are developed and implemented by the Committee to assist in removing barriers and improving public attitudes about people with disabilities.

The President's Committee is currently organized into three major offices: The Office of Plans, Projects and Services; the Office of Public Affairs; and the Office of the Executive Director. The Office of Plans, Projects and Services provides staff support to the various standing committees and task forces, composed of individual members who volunteer their services and resources to the President's Committee. This office also supports State and local Committees on Employment of People with Disabilities by providing counseling, technical assistance and other services. The Office of Public Affairs handles relations with the mass media for an ongoing promotional campaign, including radio and TV public service announcements. This office also tracks legislation, recent studies, statistical data and trends in employment of people with disabilities and provides production service and editorial oversight for all the Committee's publications and periodicals. The Office of the Executive Director maintains 1) all management, budget and personnel functions; 2) liaison with the Executive Committee; and 3) membership criteria and maintenance of membership rolls.

Federal funds are used to meet the cost of salaries and expenses for the staff, to provide the necessary materials to support the Committee's programs, and to pay for travel expenses of the Chairman and Vice chairs, who serve without compensation. Other volunteer members also serve without compensation.

1991 Budget Request

The Committee's budget proposal for FY 1991 is $3,700,000 and 37 FTE. This budget provides $340,000 for the Job Accommodation Network (JAN) to retain the FY 1990 funding level; $744,000 for built-in increases; and a $76,000 program increase for travel. Of the $744,000 for built-in increases, $500,000 is for redistribution of GSA space rental charges, and should have no programmatic effect.

These increases will allow the Committee to meet the increased demand for information by the public and employers on employment of people with disabilities. The need for this information is critical because the size of the traditional labor force will not keep pace with the expanding economy.

Businesses must look to alternative sources of employment to fill positions if they are to remain a competitive force in the global economy. The Committee continues to augment its small paid staff capability to meet the demands of a changing labor market by utilizing unpaid volunteer members.

The goals and objectives of the Committee are twofold. First, the Committee will continue as the nation's leader in the study, development and implementation of employment policies and programs serving the needs of people with disabilities and the needs of employers by: advising the Administration and consulting with Congress and Federal agencies on employment policy, legislation, administration and regulations; consulting with and fostering cooperation of agencies, groups and organizations essential to the employment of people with disabilities; utilizing to the greatest extent possible volunteers and people with disabilities in the design and delivery of Committee programs; strengthening its partnership with the network of Governors' and local Committees on Employment of People with Disabilities, soliciting the views of persons with disabilities from throughout the nation and reflecting those perceptions in the direction and conduct of the Committee's programs.

Second, the President's Committee will provide information services to employers, labor, and people with disabilities by: gathering and disseminating technical assistance; increasing employer, union and employee awareness and understanding of why and how to expand job opportunities for veterans and all people with disabilities; focusing attention on the employment-related problems facing disadvantaged persons with disabilities, especially minorities with disabilities; increasing the responsiveness of our nation's employment-related training programs to the employment-related instructional needs of disadvantaged persons with disabilities, especially minorities with disabilities; facilitating the awareness of small business operators to the employment potential of people with disabilities, including disadvantaged persons with disabilities; reducing the risks and disincentives associated with employing people with disabilities; and nurturing the development of incentives to both employers and potential workers with disabilities.

In addition to usual salaries and expenses requirements, these basic priorities require resources for the Job Accommodation Network, travel, printing, and contract research. These basic priorities are consistent with the Secretary's goals on Job Training and Worker Skills and the unemployment problems facing disadvantaged youth; the objective to improve our nation's employment training resources' capacity to meet the employment-related needs of disadvantaged persons; and the objective concerning coordination and linkages of human resource-related programs.

To meet the Secretary's objectives the Committee must have the resources to conduct programs that will result in successful methods of educating the public and enlisting cooperation among all segments of the population to assure that people with disabilities, including minorities, join the workforce as tax paying citizens. These resources are necessary if the President's Committee is to have a positive impact upon the staggering unemployment rate of all people with disabilities, particularly minorities with disabilities, and to meet the demands of this nation's growing need for workers. These necessary resources include the requested travel program increase to enable the Committee to plan and execute its annual meetings and meet the demand by State committees for the technical assistance information that is so critical to the employment of people with disabilities. An on-going effort by management will continue to develop initiatives to improve the efficiency and effectiveness of the Committee within existing staff levels.

1990

The President's Committee has identified fifty-two (52) projects that it will concentrate on in FY 1990 to enhance employment and training opportunities for people with disabilities. These include, but are not limited to:

-- Managing the Job Accommodation Network of America (JAN), a data base resource listing job accommodations that employers utilize to make reasonable accommodations at the worksite for people with disabilities.

-- Publishing "A Directory of Employment Preparation Programs Serving People with Disabilities".

-- Producing a report of the national employment policy conference held at Stanford University.

-- Developing a National Employment Preparation agenda regarding unserved and/or underserved disability groups.

-- Publishing a narrative report on "how to" conduct the Adult Pathways to Employment model at the local level. This model will be offered to all our cooperating State and local committees as well as to others interested.

-- Developing pilot projects, in cooperation with State committees, with employers in such areas as attitudinal awareness and work-related incentives.

-- In FY 1989, a task force on Women with Disabilities was formed and met to begin planning a major national conference on special employment issues facing women with disabilities. The conference will be held during this fiscal year.

-- In cooperation with several other Federal agencies, producing the eighth annual training Seminar for Selective Placement Coordinators, Handicapped Program Managers and others. The three-day seminar will address innovative programs, recent court decisions, new legislative mandates, and special programs such as AIDS and Alcohol abuse in the workplace.

-- Researching, writing and publishing a "Fact Sheet" on the Validity of the pre-placement medical examination as an instrument to achieve successful job placement of people with disabilities.

-- Continuing activities such as preparing for and attending the Committee's Annual Meeting on employment of people with disabilities (which is attended by international leaders in employment of people with disabilities, members of the State Committees, leaders of business, industry, organized labor, and the disability community, and professional and volunteer specialists); traveling to and attending regional conferences dealing with employment problems facing minority persons with disabilities; employment problems facing disabled veterans; traveling to and working with the States on conducting conferences on "AIDS in the Workplace"; mass media promotional campaigns; regular legislative up-dates; maintaining the "speakers bureau," a roster of leading volunteer speakers on issues relating to employment of people with disabilities; and leading national contests and awards programs, such as poster and essay contests on issues relating to people with disabilities and such as the Disabled American of the Year and Employer of the Year awards.

-- Preparing a Report to the President which will focus on the need for a "National Disability Employment Policy."

-- Producing the sixth annual review of the participation rates of both youth and adults with disabilities in the "Job Training Partnership Act."

-- Conducting a Forum, in cooperation with the National Rehabilitation Association, seeking to document concerns and issues relative to the programs that should be considered in the Rehabilitation Act reauthorization process.

-- Developing a publication which will summarize information regarding technology related financing available to consumers and service providers.

1989

During 1989 the Committee completed forty-nine (49) projects which included: 1) collecting and reporting participation data of both youth and adults with disabilities in the Job Training Partnership Act Program (which resulted in being asked to provide technical assistance to Congress as it considered amendments to the JTPA program); 2) publishing the proceedings of the Supported Employment Forum which contained recommendations regarding strategies to enhance supported employment and its delivery system; 3) conducting three "Pathways to Employment" meetings, one in New Haven, Connecticut and two in Maryland; 4) completing four of six chapters of an orientation manual detailing the function and mission of the President's Committee vis-a-vis the State Committees; 5) conducting five "AIDS in the Workplace" conferences (in Honolulu, Houston, Los Angeles, Chicago and Atlanta); 6) preparing a "How To" Manual for Small Employers entitled, "Ready, Willing and Available," which has become one of our most frequently requested publications of all time; 7) producing two conferences on employment problems of disabled minority Americans; 8) publishing a joint publication with the AFL-CIO called "Working Together," which highlights successful working people with disabilities; 9) conducting a most successful Annual Meeting in Tampa, Florida with approximately 4,000 attendees, etc. In addition, the Committee continued its many on-going activities such as: mass media promotional campaigns, regular legislative up-dates to the States and other interested parties; etc.; produced an Annual Work Plan and an Annual Report in addition to several other new publications on a variety of topics. These accomplishments were effected in large part through the use of travel, printing, and contract research resources.

Changes for 1991

Activity Changes:

Built-in:	
Within-grades and promotions	+$38,000
Extra day of pay	8,000
Annualization of 1990 pay increase	28,000
Part of 1991 pay increase	44,000
Executive pay increase	20,000
Other benefits (non-FERS)	7,000
Travel	4,000
GSA space rental	540,000
Other rent	3,000
Printing	25,000
Other services	4,000
Working Capital Fund	22,000
Supplies	1,000
Total Built-in	+$744,000
Net Program	+$ 76,000
FTE	0

Promoting Employment of the Disabled

Proposal: To increase funding for travel.

Rationale: Additional travel is required to meet the demand by State committees for technical assistance information that is critical to employment of people with disabilities. The traditional labor force will not keep pace with the expanding economy and employers must look to alternative resources for recruiting new employees. People with disabilities must be brought to the forefront as a major untapped resource for those employers. The more people that can be educated about the ability and availability of people with disabilities, the greater impact that can be made upon our nation's shortage of workers and the staggering unemployment rate of people with disabilities. For example in FY 1991, the President's Committee will be holding its annual meeting in Dallas, Texas. In addition to increased travel costs associated with the execution of the meeting itself, there are additional travel expenses throughout the year associated with the planning of this meeting.

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Program Effects: The increase in travel will allow the President's Committee to fulfill its goals and objectives to serve as the nation's leader in the study, development and implementation of employment policies and programs serving the needs of people with disabilities and the needs of employers and to provide information services to employers, labor, and people with disabilities.

Base:
FTE: 37
Estimate: $3,624,000

Program Increase:
FTE: 0
Estimate: +$76,000

WOMEN'S BUREAU
SALARIES AND EXPENSES

JUSTIFICATION

1990 Appropriation		1990 Estimate		1/ Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
80	$6,803,000	80	$6,978,000	0	+$175,000	82	$6,848,000	+2	-$130,000

1/ Included in 1990 Estimate above:
Reflects an adjustment of GSA space rent assessment from the Adjudication activity.......... +$175,000

Introduction

The Women's Bureau is the Federal agency mandated to "promote the welfare of wage earning women, improve working conditions, increase their efficiency, and advance their opportunities for profitable employment," as authorized by Public Law 66-259, June 5, 1920. As such, the Bureau addresses numerous problems and issues regarding working women which have been compounded in recent years by the dramatic shifts occurring in the nation's economy. Currently, women represent 45% of the workforce--an increase of 1.1 million women over the 1987 level of employment. The increase was among women 25 to 54 years of age. Today, 65% of mothers with children are working or looking for employment, as are more than 56% of mothers of pre-schoolers. Seventeen percent of all U. S. families were maintained by women as of March 1988. The majority of single mother family households, more than 60%, had children under 18 and nearly 2 of every 5 of these families had at least one child under 6 years of age. The most significant trend among families is the rise of the multi-earner family, especially where both spouses work. The Department of Labor projects that women will be more than 60% of the growth in the labor force over the 1988-2000 period. Nine out of ten women will work outside their home some time in their life, putting increased demands on all workers' time for both work and family responsibilities. The continued productivity of this economy and much of its ability to compete internationally will depend on women in the workplace. Employers are to be encouraged to participate in programs that will increase employment options for women. The Bureau's ability to respond to these changes and the varying needs of women is through its ability to provide effective leadership in the development and implementation of policies and programs at the Federal, State and local levels. The Bureau's leadership results from conducting research, developing and evaluating projects, preparing or commenting on policy documents, proposed legislation, and regulations dealing with such issues as compensation and benefits, occupational and industrial employment, job training, market readiness, and family support needs.

Since its establishment in 1920, the Bureau has conducted programs to analyze and publish data on working women, participated in the development of policies and programs to address the problems of women in the labor force, carried out initiatives to test alternative solutions, and provided technical assistance to both the private and public sectors. The Bureau has been in the forefront of demonstrating how working conditions and practices can be improved for all workers. While separate institutions have been created to implement many of the laws promulgated to improve the working conditions of workers, the Women's Bureau has continued to focus on the development of innovative policy and program options to address problems encountered by women workers. The Women's Bureau has also fostered the development of institutions at the State and local levels, specifically Commissions on the Status of Women, to address State and local laws and needs. The Bureau has participated in international deliberations on issues affecting women and has served as a model for and has provided technical assistance to other countries.

While the participation of other public and private groups is needed in the policy development and implementation process to address the problems of working women, none of them is in a position to carry out the mandate of the Women's Bureau. The Bureau is a unique segment of the Federal mechanism and provides a central point from which to coordinate the consideration of issues pertaining to women workers. The Bureau's mandate and location in the Federal system permits access to the policy making mechanism which is not available directly to non-Federal public or private groups. The Women's Bureau enjoys broad-based support from constituent groups and the Congress, as well as from other Federal agencies. In addition, it is recognized by as many as 33 countries with Women's Bureau-type national institutions. There is growing awareness of the importance of the Women's Bureau along with an awareness of the importance of women as workers. Through the years, the Women's Bureau has worked closely with a variety of public and private organizations at the national, State and local levels, and it is clear that today, as in 1920, these organizations recognize the necessity for Federal leadership in nationally developed policies and program initiatives to promote the welfare of working women.

The Bureau seeks to achieve its goals and accomplish its mission through a national office staff consisting of the Office of the Director, Office of Policy Analysis and Information, Office of Programs and Technical Assistance, the Office of Administrative Management, and ten regional offices. Both the national and regional office staffs carry out activities to achieve the Bureau's supporting goals in response to the Secretary's long-term goals.

1991 Budget Request

For FY 1991 the Women's Bureau is requesting $6,848,000 and 82 FTE. This represents an increase of 2 FTE and a net decrease of $130,000 over FY 1990. The 2 FTE, for which $59,000 in related funding is requested, will support the Work and Family Clearinghouse by enabling the Women's Bureau to meet the nationwide increase in demand from employers for technical assistance relating to dependent care issues affecting the ability of employees, particularly women, to balance work and family responsibilities. Without the additional FTE, the ability of the Clearinghouse to meet the public's demand for such information will be significantly delayed. Currently, the planning phase is expected to be completed in FY 1990 and the development of the database (including the purchase of computer hardware and the development of appropriate software) is expected to begin in early FY 1991. Also planned are the exploration of innovative ways of disseminating Clearinghouse information and the development of a series of research and demonstration projects to test the productivity effects of providing alternative types of employer-provided child care assistance and the employment effects of providing alternative child care assistance to welfare mothers and assess the implications of this research for policy recommendations. Finally, it is planned that in FY 1991 the Clearinghouse database will be expanded to include work force quality (wages and job opportunities).

As is noted below, the FY 1991 budget request reflects a program decrease of $540,000. For FY 1990 an increase of $700,000 was provided for expanding the Displaced Homemakers Network (DHN) and the Work and Family Clearinghouse. Of this total, $540,000 will be used during 1990 to pay direct contracting expenses associated with the DHN ($500,000) and the Clearinghouse ($40,000). The balance, $160,000, will be used to support the staff required for the Clearinghouse in FY 1990. The FY 1991 request also includes $160,000 for this purpose.

The Women's Bureau will continue to assist working women in responding to the challenges and opportunities presented by Work Force 2000 by examining issues such as improving the quality of the labor force, enhancing women's earnings capacities, work and family, training, affirmative action/diversity in the workplace, and safety and health currently important to the Women's Bureau in terms of their relative importance in the future. These issues, as well as the implications of these issues, will change as the characteristics of the work force undergo dramatic change. This will require continual identification, updating, and clarification as the strategies and/or policies to deal with such issues are developed.

Work and Family. The impact of the dramatic changes taking place in the American work force are being felt in millions of workplaces and homes around the country. The conflicting and oftentimes competing demands of work and family life are forging new coalitions among workers, employers and government to identify and resolve the myriad issues posed not only by the changing work force, but by the growing diversity of family lifestyles. Since bridging employee needs with the employer's bottom-line objectives must continue to be a primary goal of the Women's Bureau, it will continue to address the well-known issues facing employers such as dependent care options, alternative work schedules, benefits, leave and a variety of other services that can improve productivity by meeting some important family and social needs of women workers.

Improving the Quality of the Labor Force. As the United States economy becomes more integrated into the world economy, U. S. workers will need to be more flexible and productive. Flexibility will require increased understanding of the economy and workers' role in it. The need for enhanced knowledge through training and retraining must be accepted by both employers and workers at all levels.

Enhancing Women's Earnings Capacities. Overall, women continue to earn significantly less than men, although the difference narrowed during the decade of the 1980s. There is continued need to understand all of the factors that go into compensation and their differential impacts on women. At the same time, labor market practices in major industries and occupations that enhance or detract from women's achieving commensurate earnings need to be enhance or detract from women's achieving commensurate earnings need to be understood more thoroughly.

The technical assistance initiative to strengthen specialized segments of the dependent care provider market will be continued with a possible expansion to additional sites. Special emphasis will be placed on the implementation of the initiative's evaluation in first-round sites.

Training. Training and retraining will be an issue not only for those women entering the workforce for the first time, but also for career employees in jobs which are becoming more sophisticated or replaced entirely due to technological change or job redesign. The Women's Bureau will continue to address the mis-match of women and job opportunities in the Year 2000. Issues of particular concern to women in the area of training will be access to training which leads to better paying jobs, quality of training, the need for support services for trainees such as housing, transportation and child care.

Affirmative Action/Diversity in the Workplace. As the numbers of women, minorities, and immigrants in the workforce continue to increase, managers must design and implement human resource management systems which take into account the multicultural environments of their workplaces in order to have maximum productivity from workers whose backgrounds, behavior patterns, and values may differ significantly.

The priority of the Women's Bureau in this area will be to conduct research to examine such major issues as:

o greater integration into all levels of the work force of women who lack opportunity because of sex, race, age, disability or pregnancy; and

o occupational segregation at all levels, and the constraints of the "glass ceiling" for women professionals and executives.

Safety and Health. Due to the emergence of technological innovations in telecommunications, computer sciences and other fields in which women have become significant segments of the labor force, the Women's Bureau needs to address the concerns that have surfaced about the effects on their safety and health. The Bureau should not only conduct (or fund) research to address these concerns but should develop a system to direct attention to issues related to these concerns.

This budget is designed to support the following priorities:

1. Expanding the Work and Family Clearinghouse to address the well-known issues facing employers such as dependent care options, alternative work schedules, benefits, leave, and a variety of other services that can improve productivity by meeting some important family and social needs of women workers.

2. Addressing the mis-match of women and job opportunities in the Year 2000. Opportunity will only knock for women with the appropriate skills and education demanded by employers. Training and retraining, career education, raising literacy levels, and preparation to move from welfare to work are essential tasks.

3. Examining the integration into all levels of the work force of women who lack opportunity because of sex, race, age, disability or pregnancy.

4. Examining occupational segregation at all levels, and the constraints of the "glass ceiling" for women professionals and executives.

5. Conducting research to address concerns about the impact of automation or women, particularly with video terminals and ergonomic problems on clerical workers.

6. Increasing its communications and public affairs outreach efforts.

Single heads of households and Displaced Homemakers. The Women's Bureau will continue to support research and demonstration projects that identify strategies to improve employment opportunities for displaced homemakers and single heads of households during the decade. The Displaced Homemakers Network (DHN) will continue providing State Technical Assistance and Training Effort (STATE) to 5-10 additional States. DHN program staff from at least 300 local program areas in the selected States will receive training through State.

Regional projects will include sponsoring of work and family projects; model programs for disabled women and girls, women in nontraditional jobs; and seminars on employer-sponsored child care.

In FY 1991, the Women's Bureau will also review and analyze thirty-three legal proposals and will complete thirty policy documents on proposed legislation and regulations as they impact on women workers, such as pensions, child care, social security and equal job access for women. In coordinating Federal research activities on women workers in the economy, the Bureau will develop its own research agenda as well as work within the Department and with other Federal agencies on their research agenda, as they relate to working women. Additionally, the Bureau's constituent liaison program will be actively pursued in order to inform the public about policies and programs for assisting women. WB publications, identified as most helpful to employers, union officials, public officials and women, will be updated and reissued. A number of publications on high priority issues will be prepared. Leadership and technical assistance will be provided to cover over 75 networks and/or coalitions at the national and regional levels. In addition, about 190 speeches/presentations on DOL/WB issues will be made and over 100,000 public inquiries will receive responses in such areas as women business owners, women in non-traditional jobs, parental leave, technological changes in the workplace, flexible work arrangements, entering and reentering the work force, and women in the military and women veterans. In addition to funding projects at the national office level, the Bureau will work with organizations at the State and local levels to institute elements of previously developed model demonstration projects that assist working women.

The Bureau will continue to support U.S. policy objectives. As a U.S. delegate to the Organization of European Community Development (OECD) Working Party on the Role of Women in the Economy, the Director expects to continue to serve in a leadership position providing the working group with a focus.

The Bureau will also support the Fourth International Interdisciplinary Congress on Women, "Women's Worlds -- Realities and Choices," and promote the development of an international women's constituency network.

1990

For FY 1990, the Women's Bureau's budget is $6,978,000, of which $700,000 represents a one-year Congressional add-on. Of the $700,000, $500,000 will go toward supporting various Displaced Homemaker Network projects and $200,000 will go toward supporting the staff required to expand the Work and Family Clearinghouse.

During FY 1990, the Women's Bureau will continue to address research issues and concerns of working women in a changing economy which have been brought to the Bureau's attention at the national and regional levels. With its program funds, the Bureau will undertake the following projects:

Work and Family Projects. The Women's Bureau will conduct a demonstration project that focuses on the effectiveness of the volunteer sector in encouraging employer support for child care, eldercare and other workplace family responsive policies and programs. Other activities in the area focus on support and maintenance of the Work and Family Clearinghouse.

The Women's Bureau will implement a technical assistance initiative targeted on current or potential dependent care providers. The initiative is intended to demonstrate whether technical assistance strategies can be developed that strengthen specialized segments of the industry, e.g., sick child care, after school care, temporary (emergency) child care and adult day care. Units of State and local government will be responsible for organizing an integrated technical assistance program that corrects locally identified weaknesses in the market for these services. Local technical assistance programs may include providing information on State licensing standards (including liability insurance) and assistance with license application procedures; professional development and credentialing opportunities for dependent care workers; and instruction in obtaining financing to develop or upgrade care facilities. An impact evaluation study will estimate the net effect of the technical assistance program on the supply of relevant providers in demonstration sites.

Also, the Women's Bureau will initiate a research study to gain insights into the role temporary employment plays in the career patterns of women workers.

Information and Advocacy Initiatives. The Women's Bureau is continuing to develop the Clearinghouse data bases on dependent care, alternative work schedules and flexible benefits. The Clearinghouse referral network including State resources is also continuing to be developed.

The Women's Bureau will fund an initiative to obtain information and explore emerging options in school-age and after school child care to expand the Clearinghouse. Also, during FY 1990, the Clearinghouse will be expanded to include data on elder care.

The Women's Bureau will fund an initiative that will provide a biweekly update of work and family issues for use by the Bureau to maintain the currency of the Work and Family Clearinghouse with a current events file.

The Women's Bureau is also continuing the multi-media campaign it began in FY 1989 to promote the Clearinghouse.

Single Heads of Households and Displaced Homemakers. The Women's Bureau is continuing its efforts to improve employment opportunities for displaced homemakers. The Displaced Homemakers, Inc. will provide services through a new initiative entitled STATE (State Technical Assistance and Training Efforts). The objective is to assist private and State and local government efforts to provide the basic skills and workplace training needed to help entry-level displaced homemakers. The program is designed to strengthen the ability of local DHN programs to deliver the needed services.

Other activities for FY 1990 include:

o Demonstrating strategies for reaching out to and sensitizing employers on dependent care issues; and holding workshops at regional sites.

o Designing and implementing forums/workshops for managers from large and small firms to provide information on the options available to help working parents manage child care and work/family responsibilities.

o Developing and implementing a series of women's employment forums to begin dialogue with local womens' organizations on a variety of workplace issues: literacy, substance abuse, welfare reform (JOBS), safety and health, education equity, cultural diversity, glass ceiling, math/science trends, nontraditional programs, etc.

o Sponsoring a conference to foster an awareness of career health care and to encourage people to enter the health care professions/industry.

o Cooperating with the Federal Highway Administration to implement a program to increase the number of women in skilled and semi-skilled jobs in the highway construction industry. A Program Guide will be developed and mailed to State highway agency/transportation Departments and training for field implementation completed.

o Setting up a National Tradeswomen Network to provide technical assistance, national representational activities and develop a public media campaign to promote women into the trades. The Women's Bureau is now preparing a Directory of Nontraditional Training/Employment Programs.

o Continuing to facilitate the advancement of women into middle and upper management positions.

o Assisting migrant women to make the transition to new occupations.

o Continuing to work with women veterans to facilitate their transition from military to civilian work.

o Working with State and local organizations, community-based organizations, industries and trade unions at the national and regional levels to ensure the continued participation of women in all programs developed.

o Continuing support of U.S./DOL objectives as U.S. delegate to the OECD's Working Party on the Role of Women in the Economy.

o Research of clerical temporary workers examining issues of motivation, skill acquisition and career mobility.

o Research, compilation and analysis of data on employment and earnings status of women, and preparation and provision of clear, understandable information to the public on issues impacting women in the labor force.

1989

In FY 1989, the Bureau accomplished the following program activities:

Work and Family. The Women's Bureau is in the final stages of research with the National Academy of Sciences/National Research Council for a study of employer policies and working parents. The research, which is scheduled for completion in mid-FY 1990, will define the factors shaping employers' decisions and the advantages and disadvantages of alternative policies for both employers and employees in different family structures.

The Bureau's Work and Family Clearinghouse was established to assist employers who are seeking to develop family responsive programs and policies to help their employees balance the often conflicting work and family responsibilities. Several projects were developed to support the extension and maintenance of the Clearinghouse.

Information and Advocacy Initiatives. A major project of the Women's Bureau was the Clearinghouse on Implementation of Child Care and Eldercare Services, or CHOICES, a computerized database on dependent care and flexible work policies. CHOICES provides employers with information and technical assistance on how to establish these family responsive policies in their workplaces. Employers may access CHOICES through a toll-free telephone number or by written requests. About 2,000 inquiries have been responded to since January 1989.

A highly successful multi-media campaign was conducted to promote the Clearinghouse. The campaign centered around the theme of CHOICES, and consisted of bylined articles for Secretary Dole, feature stories, news releases, three radio public service announcements and one television spot. A brochure, information kit and Rolodex card were also designed.

Single Heads of Households and Displaced Homemakers. The Women's Bureau continued its support of initiatives to improve employment opportunities for displaced homemakers by focusing specific projects to improve DHN outreach to older women, minority women, and on how to access the JTPA system

Welfare Reform. The Women's Bureau continued its efforts [illegible] the area of welfare reform through a demonstration project which utilizes the resources and expertise of the Occupation Industries Corporation of America and a private sector company to develop the marketable skills of welfare eligible women and to encourage their personal growth.

Also, the Bureau initiated a project designed to demonstrate how State-level coordination of economic development activities could be targeted to create self-employment opportunities for low-income women living in enterprise zones.

The Women's Bureau will complete its funding of these projects in mid-1990. Funding from other sources will continue, as will the Women's Bureau involvement in reviewing the outcomes of the projects.

Career Mobility. The Women's Bureau initiated research to study career mobility of female executives in a variety of industrial, service and government organizations. This research examines the more subtle individual and organizational processes that potentially limit or promote the career advancement of women. Also, it will provide a factual foundation in the continuing debate over the impact of parenting on women's career mobility. Because this is a multiyear effort, research and funding will continue through 1990 and 1991.

Women in Highway Construction. The WB collaborated on a joint project with the Employment and Training Administration, and the Federal Highway Administration designed to identify barriers faced by women in the construction trades and to develop a guide to be used by State highway departments and contractors in recruiting and hiring women.

Publications and Audiovisuals. More than 200,000 publications were distributed by the national and regional offices. New fact sheets in FY 1989 included: "Women of Hispanic Origin in the Labor Force," and "Women in Labor Organizations." "Women's Bureau: A Voice For Working Women," is the title of the Bureau's new information brochure. There continued to be a substantial demand for "Employers and Child Care: Benefiting Work and Family," and the "Work and Family Resource Kit." "Jobs For The Future" remained the Bureau's most requested publication, having been favorably mentioned in numerous national publications.

Following a successful series of columns syndicated nationally in FY 1988, the Bureau initiated plans for a new four-part series of columns on various issues relating to work and family, plus two radio and one television public service announcement. Topics included working mothers, employers with child care, dependent care options, and the Bureau's Work and Family Clearinghouse.

Support U.S./Department of Labor Foreign Policy Objectives. The Women's Bureau continued its active role in the Organization for Economic Cooperation and Development (OECD). The Acting Director represented the United States at the meeting in Paris of the Working Party on the Role of Women in the Economy. She was instrumental in setting the policy guidelines for the Working Group. In collaboration with other Departmental agencies, the Bureau supported an OECD study to examine skills required for service sector jobs and the development of entrepreneurship among women. The Bureau also provided technical assistance to the International Labor Organization (ILO) and the United States Commission on the Status of Women on a variety of employment issues; participated in an international symposium in Munich, "Achieving Parity for Women and Men in Europe and the United States," with emphasis on reaching equity in the labor force; identified sexual harassment and employment goals for women in construction and skilled trades as issues of concern for further study; and continued to host and brief numerous U.S. Labor attaches and international visitors on programs of the Bureau and on matters of interest to wage earning women.

The Bureau's participation in these international activities is of an on-going nature, to be continued in 1990 and 1991, and the information gathered has served, and is expected to continue to serve, as an important tool in the continuing development of policies and programs that benefit working women.

Changes for 1991

Activity Changes:

Built-in:	
Annualization of pay increase effective January, 1990	$35,000
Within-grades and promotions	107,000
Extra day of pay in 1991	15,000
Partial funding of 1991 pay increase, effective in January 1991	53,000
Partial funding of Executive pay increase, effective in January 1991	12,000
FECA	44,000
Other benefits (non-FERS)	7,000
Travel	6,000
GSA space rent	33,000
Other rent	3,000
Printing	3,000
Working Capital Fund	60,000
Supplies	2,000
Total Built-in	+$380,000
Net Program	-$510,000
FTE	+2

Women's Bureau

Proposal: To provide for a staff increase to expand the Work and Family Clearinghouse data base.

Rationale: To meet the nationwide increase in demand for technical assistance relating to dependent care issues affecting the ability of employees to balance work and family responsibilities.

Program Effects: The requested increase will enable the Women's Bureau to meet the growing demand of employers, unions, and public interest groups for information relating to the ways employees, particularly women, can simultaneously fulfill their dependent care and work responsibilities.

Base:	
FTE: 80	Estimate: $7,358,000
Program Increases:	
FTE: 2	Estimate: +$59,000

Proposal: To reduce funding by $540,000 for the Displaced Homemakers Network (DHN) and the Work and Family Clearinghouse.

Rationale: For 1990, $700,000 was provided for expanding the DHN and the Work and Family Clearinghouse. Of this total, $540,000 will be used during 1990 to pay direct contracting expenses associated with the DHN ($500,000) and the Clearinghouse ($40,000). The balance, $160,000, will finance personnel expenses in order to support the staff required to expand the Clearinghouse.

Program Effects: The decrease will reduce the ability of the Women's Bureau to support the DHN. Federal staff for the Clearinghouse will be increased as indicated above.

Base:	
FTE: 80	Estimate: $7,358,000
Program Decrease:	
FTE: 0	Estimate: -$540,000

Proposal: To reduce funding by $29,000.

Rationale: To provide for a reduction in contract expenses in order to absorb part of the costs of the January 1991 pay increase.

Program Effects: No adverse program effects are anticipated from this marginal cost.

Base:
FTE: 80 Estimate: $7,358,000

Program Decrease:
FTE: 0 Estimate: -$29,000

Women's Bureau

Workload/Performance Measures

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
A. Policy Development:			
1. Legal proposals..........	33	33	33
2. Policy documents.........	30	30	30
3. Research proposals.......	53	53	53
B. Policy Implementation:			
1. Constituents Liaison			
a. Publications prepared..	29	35	35
b. Presentations on DOL/WB policy issues..........	170	185	185
c. Public inquiries answered	110,000	121,000	165,000
2. Clearinghouse			
a. Written material developed	25	105	15
b. Telephone requests for information.............	1,000	2,000	4,000
c. Written requests for information.............	250	500	800

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
3. Conference and meetings conducted..................	185	185	185
4. Networking and assistance to women's support systems....	70	74	75
5. Model programs...............	50	50	50

CIVIL RIGHTS
SALARIES AND EXPENSES

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
66	$4,116,000	66	$4,290,000	0	+$174,000	66	$4,485,000	0	+$195,000

1/ Included in 1990 Estimate above:
Reflects an adjustment of GSA space rent assessment from the Administration and Management activity .... +$174,000

Introduction:

The Directorate of Civil Rights (DCR) is responsible for ensuring full compliance with Title VI of the Civil Rights Act of 1964, as amended; Title IX of the Education Amendments of 1972, as amended; Section 401 of the Full Employment and Balanced Growth Act of 1978; Section 504 of the Vocational Rehabilitation Act of 1973, as amended; and the Age Discrimination Act of 1975, as amended, in all programs and activities receiving or benefitting from Department of Labor (DOL) financial assistance. DCR is also responsible for ensuring compliance with Section 167 of the Job Training Partnership Act (JTPA) of 1982, as amended, which prohibits discrimination in programs and activities funded under JTPA. DCR has been delegated authority to ensure compliance by DOL with the 1978 Amendments to Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of handicap in any program or activity directly conducted by DOL.

In addition to its statutory responsibilities for ensuring nondiscrimination in federally assisted programs, DCR is responsible for the management and direction of the Equal Employment Opportunity (EEO) complaint processing system for internal (EEO) complaints pursuant to the provisions of Title VII of the Civil Rights Act of 1964, as amended, the Rehabilitation Act of 1973, and the Age Discrimination in Employment Act, as these laws pertain to the rights of employees and applicants for employment with the Department.

Further, pursuant to Secretary's Order 7-83, DCR has also been delegated responsibility for coordinating enforcement of DOL compliance with the Architectural Barriers Act of 1968 which requires that certain federally owned or leased buildings be in compliance with GSA accessibility standards.

1991 Budget Request

In FY 1991, DCR will continue to vigorously pursue objectives designed to achieve and maintain a high level of equal opportunity (EO) in all DOL grant programs and for DOL employees and applicants for employment. DCR will continue its compliance review strategy which focuses on post-award activity. The reviews will continue to utilize a cohesive, standardized approach that emphasizes systematic trend analyses of discrimination incidence and targeting of compliance and enforcement efforts in areas demonstrating persistent or flagrant patterns of discrimination. DCR will fully utilize a team approach whereby highly trained specialists will conduct comprehensive on-site and desk reviews of recipients' programs and will provide technical assistance and training as required to resolve problematical areas. Compliance reviews will be targeted, with each JTPA recipient scheduled for review (desk or on-site) on a cyclical basis. In addition to this concerted effort regarding JTPA, DCR will focus on State-level Methods of Administration in the Employment Service and Unemployment Insurance programs which impact the ability of equal opportunity to succeed at the local level. At the same time, a representative number of more routine compliance reviews will be conducted on a cyclical basis of selected DOL-financially assisted program entities such as Job Corps and Veterans Employment and Training programs.

DCR will place special emphasis on investigating and processing complaints (program and employee) within prescribed time frames and standards and will monitor DOL's compliance with Sections 502 and 504 of the Rehabilitation Act of 1973, as amended, and the Architectural Barriers Act of 1968, which prohibit discrimination against qualified individuals with disabilities (technically referred to as "handicaps" because of statutory language) in both DOL-assisted and DOL-conducted programs and activities. Regular analyses and reports will be made and evaluated of the representation of minorities, women, and individuals with disabilities, including disabled veterans, within DOL's workforce to determine the need for and kinds of actions required to minimize any underrepresentation of these target groups.

DCR projects that the number of Title VII complaints on-hand at the end of FY 1989 will increase by approximately 20% by the end of FY 1990 and by another 20% by the end of FY 1991. Similarly, the number of Title VI complaints on-hand at the end of FY 1989 will increase by approximately 20% by the end of FY 1990 and by another 9% by the end of FY 1991. Additional resources are not being requested for FY 1991 to handle these increases as program changes and refinements are expected to improve case processing in outyears.

1990

In FY 1990, DCR is continuing to operate and administer a comprehensive compliance and enforcement effort covering all programs and activities receiving financial assistance from or conducted by DOL. DCR is again increasing training and technical assistance for recipients, beneficiaries, and Departmental agencies to enable them to integrate civil rights objectives into program administration and is assisting recipients to develop and implement methods of administration which give assurance that programs administered at the State level but operated at the local level of State government do so in a nondiscriminatory manner. DCR will increase its monitoring of recipients' EO programs and corrective action plans to ensure compliance with EO requirements.

DCR will focus on jurisdictional complaints, i.e. those complaints that are generated by participants in or beneficiaries of DOL-funded programs on the basis of one or more of the grounds covered by DCR's compliance and enforcement program.

During 1990, DCR anticipates that the Equal Employment Opportunity Commission (EEOC) will issue its final regulations for processing complaints of discrimination within the Federal sector. At that time, DCR will develop and implement new procedures consistent with EEOC's guidance. Monitoring of DOL's responsibilities under Sections 502 and 504 of the Rehabilitation Act of 1973, as amended, will continue as well as the ongoing monitoring of the Department's Affirmative Employment Program.

1989

In FY 1989, DCR continued to conduct its compliance and enforcement program in a centralized mode from the national office. This resulted in a uniform, consistent approach to compliance reviews and complaint investigations. DCR further refined its operating procedures and techniques, placing special emphasis on improving the quality of complaint investigations and determinations and compliance review reports and Letters of Findings. A record 1280 new EO (external) complaints were received in 1989.

Since data analysis is a major facet of compliance reviews, refresher training was provided to DCR staff on use of statistics in compliance reviews and class action complaints. DCR also increased its technical assistance and training for recipients during which emphasis was placed on effective monitoring of subrecipients' programs, maintenance and use of EO-related data at the State level, and how to make programs accessible to individuals with disabilities. In addition, DCR continued to monitor the implementation of corrective actions initiated in 1987 by certain States and territories as part of the certification of their Methods of Administration or required by DCR as a result of its compliance reviews in FY 1987 and FY 1988.

Changes for 1991

Activity Changes:

Built-in:	
Annualization of 1990 pay increase	$28,000
Within-grades and promotions	47,000
Extra day of pay	13,000
Partial funding of 1991 pay increase	42,000
Partial funding of Executive pay increase	15,000
Other benefits (non-FERS)	1,000
GSA space rent	14,000
Working Capital Fund	35,000
Total Built-in	+$195,000
Net Program	$-0-
FTE	-0-

Directorate of Civil Rights

Workload/Performance Measures

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
Title VI			
Number of Primary Recipients	742	742	742
Number of Pre-Award Reviews	0	0	0
Number of Post-Award (Desk) Reviews	38	40	40
Number of Post-Award (On-site) Reviews	28	32	30
Number of Training Sessions Conducted	11	25	15
Hours of Technical Assistance	1,500	2,200	3,000
Complaint Processing			
Number of Complaints on Hand-10/1	297[1]	405	485
Number Complaints Received	1,280	1,370	1,465
Total Number of Complaints	1,577	1,775	1,950
Number Closed	1,172	1,290	1,420
Number Complaints-9/30	405	485	530
Title VII			
Complaint Processing			
Number Complaints on Hand-10/1	248	305	365
Number Complaints Received	155	160	170
Total Number of Complaints	403	465	535
Number Closed	98	100	100
Number Complaints-9/30	305	365	435

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[1] The number of complaints carried over from FY 1988 into FY 1989 has been adjusted to include those complaints that were pending action at the initial intake stage, i.e. assignment of a complaint number and determination of disposition.

NEW POSITIONS REQUESTED

	1991		
	Grade	Number	Annual Salary
Activity 1: Executive Direction			
National Office			
Economist	GS-14	1	$ 53,000
Activity 2: Legal Services			
National Office			
Attorney	GS-13	30	1,290,000
Secretary	GS-05	8	130,000
Subtotal		38	1,420,000
Field Office			
Attorney	GS-13	23	989,000
Secretary	GS-05	2	32,000
Subtotal		25	1,021,000
Activity 3. Bureau of International Labor Affairs			
National Office			
Manpower Analyst	GS-11	1	29,000
Activity 7. Women's Bureau			
National Office			
Social Science Research Analyst	GS-9	2	49,000
Total, New Positions		67	2,572,000

ADVISORY AND ASSISTANCE SERVICES

	FY 1990	FY 1991
Types of Services		
Advisory and Assistance Services..	$1,345,000	$4,135,000
Personnel Appointments:		
a. Consultants and Experts..	38,000	40,000
b. Advisory Commission Members	-0-	-0-
Total..........................	$1,383,000	$4,175,000

Justification of 1991 Request

Executive Direction ($3,081,000):

Of the total amount, $3,000,000 will be used by the Office of the Assistant Secretary for Policy in order to provide important research and development support of major Secretarial objectives. The balance will be used by other components within Executive Direction to procure advisory and assistance services to objectively assess Departmental programs and plans with regard to functions, structures, accomplishments and strategies.

International Labor Affairs Bureau ($134,000):

ILAB will procure advisory and assistance services to provide advice and consultation in the areas of international economic policy, immigration, and worker rights.

Women's Bureau ($950,000):

The Women's Bureau will procure advisory and assistance services to support numerous projects relating to the employment of women in the national workforce.

The President's Committee on Employment of People with Disabilities ($10,000):

PCEPD will procure advisory and assistance services to provide employers with job accommodation information.

DM-104

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
[illegible]

DETAIL OF PERMANENT POSITIONS

	1989 Actual	1990 Estimate	1991 Estimate
Executive level I......................	1	1	1
Executive level II.....................	1	1	1
Executive level IV.....................	2	2	2
Subtotal.....................	4	4	4
ES-6...................................	6	6	6
ES-5...................................	9	9	9
ES-4...................................	34	34	34
ES-3...................................	3	3	3
ES-1...................................	5	5	5
Subtotal.....................	57	57	57
GS-18..................................	1	1	1
GS-17..................................	4	4	4
GS-16..................................	95	95	88
GS/GM-15...............................	214	214	208
GS/GM-14...............................	318	318	318
GS/GM-13...............................	340	340	368
GS-12..................................	146	146	146
GS-11..................................	175	175	176
GS-10..................................	11	11	11
GS-09..................................	110	110	112
GS-08..................................	40	40	40
GS-07..................................	145	149	149
GS-06..................................	99	99	99
GS-05..................................	66	66	69
GS-04..................................	35	35	35
GS-03..................................	29	29	29
GS-02..................................	4	4	4
GS-01..................................	0	0	0
Subtotal.1/..................	1,832	1,836	1,857
FC-12 $59,216 - $76,982................	2	2	2
FC-11 $50,342 - $65,444................	2	2	2
FC-10 $42,601 - $55,381................	3	3	3
Subtotal.....................	7	7	7
Total Permanent Positions 2/..........	1,900	1,904	1,925
Unfilled Position, end-of-year.........	10	10	10
Total permanent employment end-of-year	1,890	1,894	1,915
1/ Worker-Trainee Opportunity Program Positions included above............	(4)	(4)	(4)
2/ Allocation Accounts - Reimbursables included above.......	(43)	(53)	(43)
(Memo unit: 10.8)	(Memo unit: 4.0)	(Memo unit: 4.0)	(Memo unit: 4)

DEPARTMENTAL MANAGEMENT
ASSISTANT SECRETARY FOR VETERANS' EMPLOYMENT AND TRAINING

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ASSISTANT SECRETARY FOR VETERANS' EMPLOYMENT AND TRAINING

Not to exceed /162,623,000/ *$161,514,000* may be derived from the Employment Security Administration account in the Unemployment Trust Fund to carry out the provisions of Title 38 U.S.C. 2001-10 and 2021-26. (*Department of Labor Appropriations Act, 1990*).

ASVET-2

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
Limitation from the Unemployment Trust Fund..............	276	$157,493,000	288	$162,623,000	288	$161,514,000
Reduction pursuant to P.L. 99-177.....	---	----	---	-1,685,000	---	-----
A. Revised limitation	276	$157,493,000	288	$160,938,000	288	$161,514,000
B. Total, available limitation......	276	$157,493,000	288	$160,938,000	288	$161,514,000
C. Total, estimated obligations.....	276	$157,493,000	288	$160,938,000	288	$161,514,000

SUMMARY OF CHANGES

Budget Authority:	1990	1991	Net Change
Total (Trust Fund)..................	$160,938,000	$161,514,000	+$576,000
Full-Time Equivalent:			
Total (Trust Funds)................	288	288	0

	Trust Funds	
Explanation of Change:	FTE	Amount
Increases:		
A. Built-In:		
Net cost of within-grade promotions becoming effective in 1991..............	—	+$363,000
Annualization of within-grade increases becoming effective in 1990..............	—	+234,000
One additional day of pay in FY 1991......................	—	+46,000
Annualization of pay increase effective January 1990.........	—	+108,000
Funding of FY 1991 General pay increase......................	—	+322,000
Funding of FY 1991 Executive pay increase.......................	—	+34,000
To provide for increased costs of Federal Employees' Compensation Act..............	—	+12,000
To provide for increased non-personnel service costs:		
Travel......................	—	+20,000

Transportation..............	—	+1,000
Rental of space.............	—	+20,000
Other rent..................	—	+3,000
Printing....................	—	+1,000
Miscellaneous contracts.....	—	+75,000
Administrative support services (WCF).............	—	+64,000
Supplies....................	—	+2,000
Equipment...................	—	+2,000
To provide a net increase for State grants....................	—	+160,000
Subtotal..................	—	+1,467,000

B. Program:

To provide for replacement personal computers (1990 Base: FTE 288: Budget Authority $17,179,000)........	—	+200,000
To provide for the Transition Assistance Program (1990 Base: FTE 288; Budget Authority $17,179,000)........	—	+225,000
Subtotal..................	—	+425,000
Total Increase.................	—	+1,892,000

Decreases:

A. Program:

To provide for a reduction in the level of training at NVTI (1990 Base: FTE: 0; Budget Authority $2,145,000).........	—	-1,316,000
Total Decrease.............	—	-1,316,000
Total Change................	—	+576,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable		1990 Appropriation		1990 Estimate		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority applied to Trust Funds:										
1. State Admininistration a. Disabled Veterans' Outreach Program...	0	$72,962,000	0	$75,167,000	0	$74,389,000	0	$74,473,000	0	+$84,000
b. Local Veterans' Employment Program..	0	66,998,000	0	69,250,000	0	68,532,000	0	68,608,000	0	+76,000
2. Administration.........	276	14,964,000	288	15,606,000	288	15,872,000	288	17,604,000	0	+1,732,000
3 National Veterans' Training Institute....	---	2,569,000	---	2,600,000	---	2,145,000	---	829,000	0	-1,316,000
Budget Authority (Limitation)..............	276	157,493,000	288	162,623,000	288	160,938,000	288	161,514,000	0	+576,000

Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177............................$1,685,000 and 0 FTE.

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions.........	288	288	288	0
Full-time equivalent:				
Full-time in permanent positions....................	288	288	288	0
Other positions................	0	0	0	0
Total....................	288	288	288	0
Average ES salary............	$74,705	$80,700	$100,750	+$20,050
Average GM/GS grade..........	10.65	10.65	10.65	0.00
Average GM/GS salary.........	$37,761	$39,120	$41,155	+$2,035
Personnel Compensation:				
Permanent positions.........	$10,912,000	$10,953,000	$11,912,000	+$959,000
Positions other than permanent...................				
Other personnel compensation	100,000	100,000	102,000	+2,000
Subtotal, personnel compensation................	11,012,000	11,053,000	12,014,000	0
Personnel benefits...........	1,637,000	1,862,000	2,020,000	+158,000
Travel & transportation of persons......................	485,000	485,000	505,000	+20,000
Transportation of things.....	11,000	11,000	12,000	+1,000
Space rental.................	467,000	467,000	487,000	+20,000
Communications, utilities and other rent..................	78,000	78,000	81,000	+3,000
Printing and reproduction....	26,000	26,000	27,000	+1,000
Other services...............	4,390,000	3,935,000	2,983,000	-952,000
Supplies and materials.......	50,000	50,000	52,000	+2,000
Equipment....................	50,000	50,000	252,000	+202,000
Grants.......................	144,417,000	142,921,000	143,081,000	+160,000
Total, budget authority by object.......................	162,623,000	160,938,000	161,514,000	+576,000

Working Capital Fund obligations included above...	(1,540,000)	(1,540,000)	(1,604,000)	(+64,000)
Advisory and assistance services included above......	(4,000)	(4,210)	(4,387)	(177)
Federal Employees' Retirement System contributions included above..........................	(246,000)	(276,000)	(295,000)	(+19,000)

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to Be Taken
1990 House Report (No. 101-172)	
No specific actions recommended	
1990 Senate Report. (No. 101-127)	
No specific actions recommended	
1990 Conference Report (No. 101-274)	
No specific actions recommended	

AMOUNTS IN AUTHORIZING LEGISLATION

	Budget Request	
Legislation	1990	1991
Authorizing legislation containing indefinite authority.		
38 U.S.C. 2001-008 AND 2021-26, as amended, and P.L. 100-323.......	$160,938,000	$161,514,000

ASVET-10

APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1983.......	$111,244,000	$111,244,000	$111,244,000	$111,214,000
1984.......	121,486,000	121,486,000	121,486,000	121,486,000
1985.......	122,172,000	122,172,000	122,172,000	122,172,000
1986.......	124,485,000	132,975,000	124,485,000	127,257,000 1/
1987.......	131,525,000	139,510,000	137,655,000	139,510,000
1988.......	138,565,000	145,826,000	145,826,000	139,614,000
1989.......	142,406,000	148,887,000	160,006,000	157,493,000 2/
1990.......	162,623,000	162,623,000	162,623,000	162,623,000
Reduction pursuant to P. L. 99-177..........................				-1,685,000
1991.......	161,514,000			

Note: Prior to 1985 amounts requested of Congress were included in the Employment and Training Administration, State Unemployment Insurance and Employment Services Operations, and Program Administration accounts; Departmental Management, Salaries and Expenses; and Labor-Management Services Administration, Salaries and Expenses account.

1/ 1986 includes reductions pursuant to P.L. 99-177

2/ Reflects $1,913,000 across-the-board reduction pursuant to P.L. 100-436.

ASSISTANT SECRETARY FOR VETERANS' EMPLOYMENT AND TRAINING

JUSTIFICATION

	1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. State Administration										
a. Disabled Veterans' Outreach Program....	---	$75,167,000	---	$74,389,000	---	-$778,000	---	$74,473,000	---	+$84,000
b. Local Veterans' Employment Program..	---	69,250,000	---	68,532,000	---	-718,000	---	68,608,000	---	+76,000
2. Administration..........	288	15,606,000	288	15,872,000	---	+266,000	288	17,604,000	---	+1,732,000
3. National Veterans' Training Institute.....	---	2,600,000	---	2,145,000	---	-455,000	---	829,000	---	-1,316,000
Total Budget Authority Limitation.................	288	162,623,000	288	160,938,000	0	-1,685,000	288	161,514,000	0	+576,000

1/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177.................................$1,685,000 and 0 FTE

General Statement

The appropriation for the Office of the Assistant Secretary for Veterans' Employment and Training (ASVET) is requested to maximize employment and training opportunities for veterans. To accomplish this, the ASVET serves as the principal advisor to the Secretary on the formulation and implementation of all policies and procedures affecting veterans. The OASVET, through the Veterans' Employment and Training Service (VETS), exercises functional supervision over the execution of veterans' counseling, training, and placement policies by the public employment service and other employment and training programs. The ASVET is responsible for the Disabled Veterans' Outreach Program (DVOP), the Local Veterans' Employment Representative (LVER) Program and administers the National Veterans' Training Institute (NVTI) which provides training to both Federal and State employees and managers involved in the delivery of service to veterans. These activities are financed by the Unemployment Trust Fund as authorized by the Social Security Act. The ASVET also promotes compliance by Federal contractors, conducts a veterans outreach and public information program, directs the implementation of special national demonstration projects to serve the unique needs of special target groups such as special disabled veterans (as authorized by Title IV-C of the Job Training Partnership Act) and homeless veterans (as authorized by the Stewart B. McKinney Act) and provides management assistance and training services to State Programs and special national projects staff. In addition, VETS' investigators handle claims from veterans, reservists, and National Guard members for restoration of jobs, seniority and/or pension rights denied by their employers due to absences from the workplace for military service. Direct services are also provided to Reservists and Guard members to protect against hiring discrimination.

STATE ADMINISTRATION

	1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
DVOP	--	$75,167,000	--	$74,389,000	--	-$778,000	--	$74,473,000	--	+$84,000
LVER	--	$69,250,000	--	$68,532,000	--	$718,000	--	$68,608,000	--	+$76,000

1/ Included in the 1990 Estimate above:
Reduction pursuant to P.L. 99-177 .... -$1,496,000

Introduction

The Disabled Veterans' Outreach Program (DVOP) is legislatively mandated by Section 2003A of Title 38, U.S. Code. The program is administered by the Veterans' Employment and Training Service (VETS). The U.S. Code requires that funding be provided for one DVOP program specialist for each 5,300 veterans of the Vietnam Era and disabled veterans residing in each State. The distribution of those funds among the States is shown on the State Table at the end of the ASVET section. The specialists provide intensive employment and employability development services to disabled veterans and the most educationally or economically disadvantaged veterans. In accordance with the U.S. Code, at least 25% of the specialists are outstationed in sites other than Job Service offices, such as the Department of Veterans Affairs (DVA) Offices.

The Local Veterans' Employment Representatives (LVER) program is also administered by (VETS) as a discrete grants-to-States program. Public Law 100-323 specifies that the Secretary of Labor must provide for 1,600 LVER positions. The formula enacted in P.L. 100-323 for the distribution of the 1,600 LVER positions among the States added one more to the staffing level maintained by each State on January 1, 1987 to create the fixed base of 1,439 positions. The additional 161 positions are proportionately distributed based upon the average of the percentage of all full-service Job Service Offices, veterans registered and the population of veterans in each State in comparison to the total for all States. The result of the 1987 base, adjusted by one LVER per State, and the proportional distribution of the additional 161 positions (rounded to the nearest half) determines the allocation to each State each year. Distribution of the funding for these positions is shown on the State Table at the end of the ASVET section. LVERs functionally supervise provision of service to veterans in local offices, maintain regular contact with community leaders, provide labor exchange services to eligible veterans and promote and monitor the participation of veterans in Federally-funded Employment and Training Programs. They also monitor the listing of jobs and subsequent referrals of qualified veterans, working closely with appropriate DVA personnel engaged in providing counseling or rehabilitation services.

1991 Budget Request

Since resources are restricted because of budget constraints, the total request for grants-to-States is $143,081,000. This total represents an increase of 0.1%, $160,000, over the funding level provided in FY 1990. This funding level in FY 1991 will result in the lack of funding for 288 DVOP and LVER positions combined. The lack of funding for these 288 positions will reduce the number of disabled veterans who can be contacted and who would subsequently avail themselves of employment services. The reduction in LVER positions could result in a reduction of about 8% in the provision of employment services such as counseling, referral and job placement for veterans.

The requested funding level for the DVOP program totals $74,473,000 and represents an increase of 0.1% (one tenth of one percent) over the funding level provided in FY 1990. This total will provide grants to fund approximately 1,730 DVOP positions, which would include State agency overhead costs. The total of 1,730 positions is 153 positions (8%) below the level prescribed by the Congressionally-mandated staffing formula. It is unclear at this time if this reduction in staff can be achieved in FY 1991 solely through attrition.

Strong emphasis will be focused on services to seriously disabled and educationally disadvantaged veterans and on case management services to enhance completion of Federally funded training programs supported by the Job Training Partnership Act (JTPA), Title IV, Part C. A special labor force survey released by the Bureau of Labor Statistics in FY 1988 indicated that nearly 66% of special disabled Vietnam veterans who are at least 60% disabled are not in the labor force. Efforts will continue to be made in FY 1991 to identify disabled veterans, determine their needs, establish individual plans and secure employment for them. The other primary target group for services will be educationally and economically disadvantaged veterans. DVOP specialists will continue to work closely with Private Industry Councils, service providers funded by the JTPA in service delivery areas, and DVA vocational rehabilitation counselors, to provide comprehensive services necessary to deal with the structural unemployment problems faced by veterans. A small number of selected DVOP specialists will participate in the pilot of the Disabled Transition Assistance Program (DTAP) for those medically discharged from active duty.

The requested funding level for the LVER program ($68,608,000) will provide resources for 1,465 (91.6%) of the 1,600 mandated positions. Because of budget constraints, the total of $68,608,000 reflects an increase of 0.1% over the funding level provided in FY 1990. At the present time, it is not certain that this reduction in staff can be obtained through attrition alone. The LVERs will focus their efforts on ensuring that veterans receive priority for services in an atmosphere of declining employment service resources and a veteran caseload comprised primarily of hard-to-employ applicants. Further, LVERs will target services to individuals being released from active duty in addition to veterans already enrolled in Federally funded training programs. A few selected LVERs will participate in the pilot of the Veterans' Transition Assistance Program (TAP).

1990

The post-sequestration funding level of $142,921,000, 2% more than available in FY 1989, is not sufficient to fully fund the DVOP positions at the formula level, nor is it sufficient to fully fund the legislatively mandated total of 1,600 LVERs. The total of $142,921,000 includes $74,389,000 for the DVOP program and $68,532,000 for the LVER program. These totals are sufficient to fund 1,786 (95%) of the authorized DVOP positions and 1,538 (96%) of the authorized LVER positions. These totals are 95 positions and 62 positions below the authorized program totals, respectively. However, since both of these grant programs were administered during the first quarter of FY 1990 at a level reflecting the full potential 5.3% Gramm-Rudman-Hollings sequestration, the funding levels above are sufficient to fully fund the legislatively mandated staffing levels for the last three quarters of FY 1990. Targeted services to the veterans are being focused upon those most in need. A case management approach will be continued and further developed to ensure completion of funded training programs and to ensure that comprehensive services are offered until placement in a quality job results.

1989

Staffing for both programs was maintained at the formula levels. The LVER and DVOP staff focused on the most seriously disadvantaged veterans, which included the disabled and long-term unemployed eligibles. Improved targeting of disabled veterans was achieved, utilizing special labor force data produced by the Bureau of Labor Statistics.

Fiscal Year 1989 data on services to veterans appearing in the most recent program year composite reports indicated that the number of veterans provided with services increased in most service areas. This program result was expected, given the increase in the number of LVER staff available to maximize and maintain oversight regarding the provision of services provided to veterans. The number of veterans provided with some reportable service by the U.S. Employment Service increased by approximately 1.5% in all three veterans categories reported: Veterans and Other eligible persons, Vietnam Veterans, and Disabled Veterans. The number of each of these three veterans subgroups reported as being referred for jobs and referred to and placed in training also increased by equivalent proportions.

Changes for 1991

Activity Changes:

Built-in:	
Increased costs of State operations	+$160,000
DVOP Grants	(+84,000)
LVER Grants	(+76,000)
Total Built-In	$160,000

ADMINISTRATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
288	$15,606,000	288	$15,872,000	--	+$266,000	288	$17,604,000	--	+$1,732,000

1/ Included in the 1990 estimate above:
Reduction pursuant to P.L. 99-177 .... -$162,000

Introduction

The Assistant Secretary for Veterans' Employment and Training (ASVET), through the Veterans' Employment and Training Service (VETS), is responsible for ensuring that the legislative mandates for special services to veterans, Reservists, National Guard members, and other eligible persons are provided by the DOL and its grantees in accordance with Chapters 41, 42 and 43 of Title 38, United States Code. The VETS administers grants-to-States for the Local Veterans' Employment Representative (LVER) program and Disabled Veterans' Outreach Program (DVOP). It also administers grants to States as authorized by Part C of Title IV of the Job Training Partnership Act (JTPA). Additionally, it administers approximately 20 demonstration grants to State or local governments to reintegrate homeless veterans into the labor force. These projects are authorized by Section 738 of the Stewart B. McKinney Homeless Assistance Act.

The VETS ensures that services are delivered to veterans by State Job Service agencies on a priority basis through on-site monitoring and management assistance. It acts as liaison with other Federal agencies, such as (a) the Office of Federal Contract Compliance Programs (OFCCP) to ensure the enforcement of affirmative action requirements for disabled and Vietnam-era veterans, (b) the Department of Veterans Affairs (DVA) for coordination of vocational rehabilitation and on-the-job training placements, and (c) the Department of Defense (DOD), to ensure the provision of labor market information to recently separated veterans to expedite the transition from military to civilian employment. VETS administers the Federal Contract Reporting Program (FCP), (38 U.S.C. 2012(d)) which requires Federal contractors to submit employment reports on disabled and Vietnam-era veterans. Title 38 U.S.C. Section 2012 (a-c) are administered within the DOL by the OFCCP.

VETS staff provides services directly to veterans, Reservists and Guard members to protect their reemployment rights, including seniority and pension rights. Direct services are also provided to Reservists and Guard members to protect against hiring discrimination (38 USC Chapter 43). In addition, training is provided to both Federal and State employees and managers involved in delivery of services through the National Veterans' Training Institute (NVTI). The agency collects information concerning the employment and training services provided to veterans, as required by law, and reports that information to the Congress in annual reports and legislative or oversight hearings.

H.R. 901, an enrolled enactment entitled the "Veterans' Benefits Amendments of 1989", Section 408, provides that the Secretary of Labor conduct a pilot program, in at least five but not more than ten States, to furnish employment and training information and services to military service personnel 180 days before their separation from the Armed Services.

1991 Budget Request

The requested funding level of $17,604,000 will support all 288 of the legislatively mandated (Chapter 41, 38 U.S.C.) and administratively required positions. The FY 1991 request represents an increase of 10.9% over the FY 1990 funding level. The request includes two specific increases: $225,000 to partially fund the pilot test of the Transition Assistance Program (TAP) and $200,000 for personal computer replacements. Of the agency's 288 FTE, 251 are located in the field. A reduction in this staffing level would impact the agency's ability to do many non-mandated activities essential for responsible management of the agency's resources. Some of the activities most likely to be affected include on-site Local Employment Security Office (LESO) follow-up reviews, on-site grant monitoring reviews, processing grant modifications and internal control reviews.

The agency will focus its efforts in FY 1991 on continuing to improve veterans' reemployment rights (VRR) case processing, reducing the duration of unemployment of recently separated veterans, and attacking the structural employment problems of service-connected disabled veterans and of combat theatre Vietnam-era veterans.

Regarding VRR, VETS expects that by involving all VETS staff in the effort to educate employers regarding their legal obligations and by helping prevent non-compliance with VRR laws, by responding rapidly and accurately to reemployment rights inquiries, and by invoking alternative dispute resolution techniques (e.g., early use of mediation and conciliation case conferencing), the timeliness of case processing can be significantly improved.

For recently separated veterans, the VETS will continue its cooperative efforts, begun in FY 1989, with the military service branches by expanding the TAP pilot to up to 20 additional DOD sites. TAP consists of two unique service delivery programs: the Disabled Transition Assistance Program (DTAP) and the Veterans Transition Assistance Program (VTAP). The basic concept of TAP will be to provide servicemembers, within 180 days of separation, sufficient employment information and vocational guidance to allow them to make informed career choices. Through the provision of vocational assessment and guidance services, better labor market information, and intensive job search assistance, VETS expects to reduce the average post-service period of unemployment, and consequent expenditures for unemployment compensation for ex-service members, and to improve the ability of recently separated veterans to obtain jobs when they become unemployed in the future.

With regard to JTPA Title IV-C funds, VETS plans to target these resources at the veterans hardest to serve, such as Vietnam Theater Veterans suffering from post traumatic stress disorders. Over the years, VETS has learned that just providing training services to such veterans has not positively impacted on their employability. Significant interventions that look at the "whole person" are required. Discretionary funds are being used to support innovative demonstration projects that can provide program designs which can effect positive results for those veterans. These demonstration projects include programs that provide intensive case management services and training to the hardest to serve veterans and include long term followup and counseling after placement.

In addition to the three priority areas highlighted above, VETS will continue to seek improvements in other areas as well. Success in maintaining State Empgloyment Security Agency (SESA) productivity will be achieved by closer oversight of LESO operations and promotion of better cooperation among the LESO, Job Training Partnership Act agencies and service providers, and other local and community agencies or organizations which provide services to veterans. The ASVET will be managing a competitive process to award grants to projects to serve homeless veterans as provided for by the Steward B. McKinney Homeless Assistance Act. Substantial emphasis will be placed on long-term job retention as an indicator of success. This will be the fourth year of FCP reporting. As in the past years, an increase in the number of reports received is expected as more and more contractors become aware of the reporting requirements. Even with the increased reporting, as a result of experiences gained, VETS expects to hold FCP costs to a minimum. VETS administers NVTI, which provides training to State and Federal employees. This program is described in detail in the following section. Finally, culminating two years of work, VETS expects to publish final administrative regulations, reflecting the many changes made to the agency's mission with the passage of Public Law 100-323, the Veterans' Employment, Training and Counseling Amendments of 1988, and Public Law 100-689, the Veterans' Benefits and Program Improvement Act of 1988.

1990

The FY 1990 funding level of $15.872 million is a $908,000 increase over FY 1989 and includes a reprogramming of $428,000 from the NVTI activity. Sequestration of funds, however, has caused VETS to delay filling its newly authorized positions. Close management of vacancies as they occur, coupled with this delay in filling newly authorized positions, should enable VETS to maintain a steady state of activities throughout the fiscal year. There may be, however, some degradation in non-mandated activities normally carried out by the agency such as fewer on-site grant monitoring visits, fewer follow-up reviews of LESOs and a less aggressive internal control program.

Administration of grants-to-States for DVOP and LVER programs and JTPA Section 441 grants-to-States continue to be the major activity of the agency. The DVOP and LVER programs are described in detail in a preceding section. The JTPA Section 441 program is described in the Federally Administered Programs section of the ETA's Training and Employment Service narrative. The impact of sequestration on these programs is discussed in each of the appropriate sections.

The administration of NVTI is in a period of transition this year because its funding changes from a grant to a contract. This contract has been publicly competed for the first time. Every effort is being made to ensure that there is a smooth transition with no interruption of training service delivery. VETS fully expects more cost-efficient training programs will be one of the benefits of this process. NVTI programs and the impact of sequestration are described in detail in the following section.

Very little change is expected in the VRR caseload and pending inventory. Continued improvement is expected, however, in case processing time as a result of significant efforts to revitalize the VRR program, streamline its procedures, establish accountability and train staff, in FY 1989.

VETS will continue to manage demonstration projects for homeless veterans provided for by the Steward B. McKinney Homeless Assistance Act. This project is described in detail in the ETA narrative.

Several pilot projects will be either initiated or continued this year. They include plans to begin the TAP pilot at four DOD separation centers and three DOD hospitals. Some of the expected benefits of this program include prevention of long-term unemployment problems and enhanced employment services to disabled and younger separating service members. The DOL/IBM Disabled Veterans Training/Placement Program is being expanded from five sites in 1989 to approximately 20 sites this year. Additional private sector initiatives are being explored.

1989

Administration of grants-to-States for DVOP and LVER programs was the major activity of the VETS agency. The administration of JTPA Section 441 grants to Governors was the second most significant activity of VETS in FY 1989. Demonstration projects for homeless veterans were continued as provided for in the Stewart B. McKinney Homeless Assistance Act. Five pilot projects, jointly sponsored by IBM, resulted in the enrollment of eleven previously unemployed, severely disabled veterans in computer programming training.

VETS was successful in reducing VRR case processing time from an average of 129 days in FY 1988 to 62 days in FY 1989 by emphasizing amicable resolution of complaints, rather than litigation by the Department of Justice. A revised VRR Operations Manual and accountability standards were implemented and training was provided to all staff. This served to expedite case processing, reduce litigation costs and resulted in a total of approximately $700,000 recovered from claimants.

VETS successfully implemented a series of management improvements that will be completed in FY 1990. These improvements include two weeks of intensive VETS-specific management training, individually targeted generic supervisory training and targeted developmental assignments. Additionally, VETS began designing a two-year supervisory development and assessment program intended to identify and train potential future Directors of Veterans' Employment and Training Service, Assistant Regional Administrators and Regional Administrators.

Training was provided, through NVTI, to upgrade skills of 1,405 LVER/DVOP specialists to provide new services required by Public Laws 100-323 and 100-689.

The agency collected and summarized the second annual report concerning hiring activity involving disabled and Vietnam-era veterans by Federal contractors.

Changes in 1991

Activity Changes

Built-in

Annualization of 1990 pay increase	$108,000
Funding for 1991 General pay increase	322,000
Funding for 1991 Executive pay increase	34,000
One additional day of pay	46,000
Within-grade promotions	597,000
FECA costs	12,000
Transportation of things	1,000
Travel of persons	20,000
GSA space rental	20,000
Other rental payments	3,000
Printing and reproduction	1,000
Contracts	75,000
Working Capital Fund	64,000
Supplies and material	2,000
Equipment purchases	2,000
Total Built-in	$1,307,000
Net Program	+$425,000
FTE	0

Administration

Proposal: To provide funds for the replacement of out-dated personnel computers.

Rationale: Replacement required to enhance the delivery of services to veterans population. New equipment will facilitate access to computerized employment data and enhance communication among ASVET offices.

Program Effects: The out-dated personal computers are not capable of running VIMS, VETS' new management information system. The new equipment will allow this system to become fully operational.

Base:
FTE: 288 Estimate: $17,179,000

Program Increase:
FTE: 0 Estimate: +$200,000

Proposal. To provide funds to expand the Transition Assistance Program (TAP) to additional sites.

Rationale: TAP will provide service members with employment and training services before they are separated from active duty and enter the civilian workforce.

Program Effects. TAP will possibly decrease the long-term need for unemployment benefits and employment and training services after release from military duty.

Base: FTE: 288	Estimate: $17,179,000
Program Increase: FTE: 0	Estimate: +$225,000

NATIONAL VETERANS' TRAINING INSTITUTE

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
--	$2,600,000	--	$2,145,000	--	-$455,000	--	$829,000	--	-$1,316,000

1/ Included in 1990 estimate above:
Reduction pursuant to P.L. 99-177................................-$27,000

Introduction

The National Veterans' Training Institute (NVTI) was established in December 1986 and legislatively mandated by P.L. 100-323 in May 1988. NVTI, presently operating through the University of Colorado in Denver, Colorado, provides training to both Federal and State employees and managers involved in delivery of services to veterans. The curriculum offered by NVTI includes the DVOP/LVER Core course, the DVOP/LVER Veterans Benefits Programs course, DVOP/LVER specialty courses and a Veterans' Reemployment Rights course for Federal staff. NVTI also operates a Veterans' Resource Center designed to serve as a support center for vocational guidance training conducted at NVTI and acts as a repository for training information regarding veterans projects and for other resource information collected from the various States as well as from the Federal Government.

1991 Budget Request

The funding level requested ($829,000) will allow for a total of 500 training slots in FY 1991. This funding level is substantially less than the $2.1 million provided in FY 1990. No training for VETS staff at NVTI is envisioned during FY 1991. Training delivery will focus exclusively on LVER and DVOP specialists. The Core course curriculum will be offered to newly hired DVOP/LVER specialists, the Veterans' Benefit Programs course to those DVOP/LVER specialists not previously trained; and the Vocational Guidance course developed in FY 1990 to selected DVOP/LVER specialists.

Since this request is below the minimum funding levels in the competitively let existing NVTI contract, options for both alternative funding sources and operational strategies, such as recompeting the contract with a lower minimum funding level, will be evaluated.

1990

The 1990 funding level of $2.1 million, slightly less than the $2.2 million obligated in FY 1989, reflects a reprogramming of $428,000 to the Administration activity, as a result of G-R-H sequestration and the need to fully fund Federal staff. A total of 1,700 training slots are projected for the year. The Veterans' Benefits Program course is scheduled to be the principal course delivered to 1,300 DVOP/LVER specialists this year. The DVOP/LVER specialist Core course curriculum will be delivered to approximately 200 newly hired DVOP/LVER specialists. The "Marketing/Accessing the Media" course will continue to be delivered to approximately 100 selected DVOP/LVER specialists. Training is also planned for up to 100 Federal staff. A revised Vocational Guidance course will be developed, incorporating material from four existing courses: Case Management, Interviewing Skills, Placement Skills and Client Assessment. It is expected that this course will be pilot-tested prior to the end of the year.

On January 1, 1990, the funding vehicle for NVTI changed from a grant to a contract. As a result of the sequestration and reprogramming in 1990, NVTI appropriated funds must be supplemented to meet the minimum contractual funding level. By using JTPA Title IV-C discretionary funds, VETS will ensure that NVTI is funded for FY 1990 at the minimum required contractual level.

1989

Core curriculum training was delivered to a total of 2,199 participants. An additional 120 DVOP/LVER specialists received the recently developed Veterans' Benefit course. Approximately 240 VETS field staff received training in the Veterans' Reemployment Rights program. The total number of participants to receive training for all courses was 2,867. Development of a Vocational Guidance course was initiated.

Changes in 1991

Activity Changes:

Net Program..-$1,316,000

National Veterans' Training Institute

Proposal: To provide for a reduced level of training services at NVTI due to budgetary constraints.

Rationale: Resources are required to fully fund Federal staff who maintain and operate other veterans' employment and training programs, leaving insufficient funds available for NVTI training due to overall budgetary constraints.

Program Effects: The number of participants will be limited, dropping from 1,700 training slots in FY 1990 to 500 training slots in FY 1991.

Base:
FTE: 0 — **Estimate:** $2,145,000

Program Decrease:
FTE: 0 — **Estimate:** -$1,316,000

DISABLED VETERANS' OUTREACH PROGRAM
AND LOCAL VETERANS' EMPLOYMENT REPRESENTATIVES
STATE TABLES

State	1989 Actual 1/	1990 Estimate 2/	1991 Estimate 3/
Alabama	$2,288,518	$2,449,350	$2,452,091
Alaska	1,117,086	1,174,453	1,175,764
Arizona	2,337,308	2,250,369	2,252,889
Arkansas	1,320,605	1,514,675	1,516,367
California	15,404,015	16,531,673	16,550,209
Colorado	2,353,408	2,613,670	2,616,599
Connecticut	2,267,257	2,134,008	2,136,396
Delaware	569,015	588,797	589,454
District of Columbia	323,854	365,603	366,013
Florida	5,919,888	6,025,613	6,032,361
Georgia	3,405,983	3,394,423	3,398,228
Hawaii	757,201	753,703	754,545
Idaho	978,019	996,085	997,196
Illinois	5,491,690	5,644,761	5,651,081
Indiana	3,166,928	3,167,025	3,170,565
Iowa	1,716,994	1,841,424	1,843,481
Kansas	1,460,117	1,449,600	1,451,221
Kentucky	1,380,415	1,520,594	1,522,295
Louisana	1,643,178	1,684,477	1,686,363
Maine	915,360	1,039,212	1,040,376
Maryland	2,259,347	2,537,788	2,540,634
Massachusetts	3,163,638	3,317,380	3,321,100
Michigan	5,235,758	5,852,232	5,858,786
Minnesota	2,758,805	3,085,541	3,088,992
Mississippi	1,321,924	1,372,534	1,374,066
Missouri	2,731,745	3,040,704	3,044,104
Montana	695,444	793,983	794,869
Nebraska	873,870	873,431	874,408
Nevada	826,236	936,536	937,584
New Hampshire	667,875	794,597	795,486
New Jersey	3,343,170	3,367,686	3,371,464
New Mexico	1,029,763	1,073,891	1,075,091
New York	8,932,532	9,512,889	9,523,547
Nort Carolina	3,641,978	3,761,360	3,765,561
North Dakota	599,322	601,462	602,132

Ohio..................	5,223,320	5,589,755	5,596,014
Oklahoma..............	2,618,056	2,559,472	2,562,332
Oregon................	2,158,473	2,322,005	2,324,601
Pennsylvania..........	7,394,076	7,201,002	7,209,064
Rhode Island..........	476,652	507,380	507,949
South Carolina........	1,756,527	1,756,022	1,757,986
South Dakota..........	400,623	451,644	452,148
Tennessee.............	2,001,392	2,054,278	2,056,578
Texas.................	8,387,018	8,903,438	8,913,409
Utah..................	1,026,190	996,868	997,983
Vermont...............	495,163	523,290	523,874
Virginia..............	3,089,312	3,165,705	3,169,253
Washington............	3,415,808	3,725,986	3,730,161
West Virginia.........	939,555	942,636	943,690
Wisconsin.............	2,975,822	3,061,305	3,064,730
Wyoming...............	609,376	716,521	717,320
Puerto Rico...........	553,049	332,824	333,195
Virgin Islands........	48,342	49,340	49,395
NATIONAL TOTAL........	136,467,000	142,921,000	143,081,000

1/ These amounts are based on National expenditure reports.

2/ These are planning estimates based on amounts available for obligation and are subject to change.

3/ These preliminary amounts are based on currently available labor market information.

ADVISORY AND ASSISTANCE SERVICES 1/

Types of Services	FY 1989	FY 1990
Advisory and Assistance Services Personnel Appointments	$4,210,000	$4,387,000
a. Consultants and Experts		
b. Advisory Commission Members		
Total	$4,210,000	$4,387,000

Justification of 1991 Request

Administration ($4,387,000):

Funds are required to support the Secretary's Committee on Veterans' Employment which serves as a formal vehicle for providing advice to the Secretary on veterans' employment and training issues.

Under Section 308, Title III of the Act, the Secretary is charged with the responsibility of acting as Chairman of the Committee with the Assistant Secretary of Labor for Veterans' Employment and Training serving as Vice Chairman. The membership also includes representatives of: the Administrator of Veterans Affairs, Veterans Administration; Secretary of Defense; Secretary of Education; Secretary of Health and Human Services; Director of the Office of Personnel Management; Chairman of the Equal Employment Opportunity Commission; Administrator of the Small Business Administration; Postmaster General; and a representative of each chartered veterans' organization having a national employment program.

STANDARD FORM 300
July 1964 Bureau of the Budget
Circular No. A-11, Revised.
[illegible]

ASVET 27

DETAIL OF PERMANENT POSITIONS

	1989 Actual	1990 Estimate	1991 Estimate
Executive level I........................			
Executive level II.......................			
Executive level III......................			
Executive level IV.......................	1	1	1
Executive level V........................			
Subtotal.....................	1	1	1
ES-6.................................			
ES-5.................................			
ES-4.................................	0	1	1
ES-3.................................			
ES-2.................................			
ES-1.................................			
Subtotal.....................	0	1	1
GS-18................................			
GS-17................................			
GS-16................................			
GS/GM-15.............................	5	4	4
GS/GM-14.............................	14	15	15
GS/GM-13.............................	71	71	71
GS-12................................	94	94	94
GS-11................................	11	17	17
GS-10................................	1	1	1
GS-09................................	5	10	10
GS-08................................	2	2	2
GS-07................................	11	11	11
GS-06................................	51	51	51
GS-05................................	10	10	10
GS-04................................			
GS-03................................			
GS-02................................			
GS-01................................			
Subtotal.....................	275	286	286
Ungraded.............................		0	0
Total Permanent Positions 1/..........	276	288	288
Unfilled Position, end-of-year.........	6	0	0
Total permanent employment end-of-year	270	288	288
(Mono cost: 16.5)	(Mono cost: 4.9)	(Mono cost: 4.9)	(Mono cost: 4)

DEPARTMENTAL MANAGEMENT

WORKING CAPITAL FUND

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DEPARTMENTAL MANAGEMENT

WORKING CAPITAL FUND

Notwithstanding 31 U.S.C. 3302, funds received for services rendered to any entity or person for use of Departmental facilities, including utilities and security services, shall be credited to and merged with this fund.

Explanation of Language Change

This language provides specific authority for the use of advances and/or reimbursements for facility services rendered to Federal, State and local government and non-governmental entities.

DEPARTMENTAL MANAGEMENT

WORKING CAPITAL FUND

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
Estimate	705	$66,689,000	701	$68,486,000	711	$68,944,000
Reduced Agency needs pursuant to P.L. 99-177	--	---	--	-202,000		
A. Subtotal, estimate	705	66,689,000	701	68,284,000	711	68,944,000
Comparative transfer from:						
ETA	1	57,000	1	57,000		
LMS	--	33,000	--	33,000		
ESA	3	120,000	3	120,000		
OSHA	2	75,000	2	75,000		
MSHA	1	38,000	1	38,000		
BLS	2	92,000	2	92,000		
DM	2	76,000	2	76,000		
OIG	--	16,000	--	16,000		
Comparative transfer to:						
OIG	-1	-40,000	-1	-40,000		
An increase from WCF's unobligated balance for the continued development of the new DOL Accounting System	--	---	--	1,543,000		
B. Total, estimated obligations	715	$67,156,000	711	$70,294,000	711	$68,944,000

Summary of Changes

	1990	1991	Net Change
Estimated Obligations:			
Total	$70,294,000	$68,944,000	-$1,350,000
Full-Time Equivalent:			
Total	711	711	--

Explanation of Change: Increases:	FTE	Amount
A. Built-In:		
Annualization of within-grade increases needed for only part of 1990	---	+$349,000
Net cost of within-grade increases effective in 1991	---	+350,000
Annualization of pay increase effective January 1990	---	+381,000
To provide for general pay increase effective January 1991	---	+702,000
To provide for one day extra pay	---	+102,000
To provide for increased cost of program-related travel	---	+21,000
To provide for increased cost of transportation of things	---	+4,000
To provide for increased cost of rent	---	+391,000
To provide for increased cost of rental of equipment	---	+64,000
To provide for increase in cost of Penalty Mail	---	+1,090,000

Explanation of Change	FTE	Amount
To provide for increased cost of data communications and FTS Management Fee	---	+922,000
To provide for increased cost of printing	---	+30,000
To provide for increased cost of water and sewage services	---	+23,000
To provide for increased cost of supplies	---	+81,000
To provide for increased cost of replacing equipment	---	+6,000
Subtotal	---	+4,516,000
B. Program:		
To provide for increased operating costs for DOL's new accounting system (1990 Base: FTE 198 Obligations $22,110,000)	---	+125,000
Subtotal	---	+125,000
Total Increase	---	+4,641,000

Decreases:

A. Built-In:		
To provide for a reduction related to the development and implementation costs of the new DOL accounting system (1990 Base: FTE 198 Obligations $22,110,000)	---	-1,543,000
Subtotal	---	-1,543,000
B. Program:		
To provide for a net reduction in contractural services (1990 Base: FTE 198 Obligations $22,110,000)	---	-105,000
To provide a reduction for DOL's share of the estimated government-wide savings for voice communications from the installation of FTS 2000 (1990 Base: FTE -- Obligations $22,953,000)	---	-4,343,000
Subtotal	---	-4,448,000
Total Decrease	---	-5,991,000
Total Change	---	-$1,350,000

OBLIGATIONS BY ACTIVITY

	1989 Comparable		1990 Appropriation		1990 Estimate 1/		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Administrative management services	202	$21,055,000	195	$21,092,000	198	$22,759,000	198	$22,130,000	--	-$629,000
Field services	396	20,935,000	386	20,805,000	394	21,023,000	394	22,242,000	--	+1,219,000
National Capital Service Center	117	5,407,000	120	5,648,000	119	5,571,000	119	5,962,000	--	+391,000
Penalty mail and telecommunications	--	19,759,000	--	20,941,000	--	20,941,000	--	18,610,000	--	-2,331,000
Total Obligations	715	67,156,000	701	68,486,000	711	70,294,000	711	68,944,000	--	-1,350,000

1/ Included in 1990 Estimate:

Reduced Agency needs pursuant to P.L. 99-177..........-$ 202,000.

Comparative transfer from ETA..........$ 57,000 and 1 FTE. From LMS..........$ 33,000 and 0 FTE.
Comparative transfer from ESA..........$ 120,000 and 3 FTE. From OSHA..........$ 75,000 and 2 FTE.
Comparative transfer from MSHA..........$ 38,000 and 1 FTE. From BLS..........$ 92,000 and 2 FTE.
Comparative transfer from DM..........$ 76,000 and 2 FTE. From OIG..........$ 16,000 and 0 FTE.

Comparative transfer to OIG..........-$ 40,000 and -1 FTE.

An increase from WCF's unobligated balance for the continued development of the new DOL Accounting System..........$1,543,000.

Obligations by Object Class

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions	670	680	680	---
Full-time equivalent:				
Full-time in permanent positions	670	680	680	---
Other positions	31	31	31	---
Total	701	711	711	---
Average ES salary	$75,650	$76,000	$91,000	+$15,000
Average GM/GS grade	8.86	8.95	8.95	---
Average GM/GS salary	$30,943	$31,351	$33,653	+$2,302
Average salary of ungraded positions	$25,316	$26,105	$28,000	+$1,895
Personnel compensation:				
Permanent positions	$20,774,000	$21,496,000	$23,098,000	$1,602,000
Positions other than permanent	810,000	695,000	722,000	27,000
Other personnel compensation	442,000	142,000	142,000	---
Subtotal, personnel compensation	22,026,000	22,333,000	23,962,000	1,629,000
Personnel benefits	3,548,000	3,403,000	3,658,000	255,000
Travel & transportation of persons	460,000	600,000	521,000	-79,000
Transportation of things	70,000	94,000	98,000	4,000
Space rental	6,236,000	6,262,000	6,653,000	391,000
Communications, utilities and other rent	22,397,000	22,468,000	20,201,000	-2,267,000
Printing and reproduction	649,000	712,000	742,000	30,000
Other services a/	11,272,000	11,733,000	10,953,000	-780,000
Supplies and materials	1,732,000	1,945,000	2,016,000	71,000
Equipment	96,000	744,000	140,000	-604,000
Total obligations by object	68,486,000	70,294,000	68,944,000	-1,350,000
Federal Employees' Retirement System contributions included above	(505,000)	(476,000)	(500,000)	(+24,000)
a/ Includes the following amounts for services of other Agencies:				
Health and Human Services	(776,000)	(776,000)	(809,000)	(+33,000)

DEPARTMENTAL MANAGEMENT
WORKING CAPITAL FUND
JUSTIFICATION

	1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Administrative management services	195	$21,092,000	198	$22,759,000	+3	+$1,667,000	198	$22,130,000	--	-$629,000
Field services	386	20,805,000	394	21,023,000	+8	+218,000	394	22,242,000	--	+1,219,000
National Capital Service Center	120	5,648,000	119	5,571,000	-1	-77,000	119	5,962,000	--	+391,000
Penalty mail and telecommunications	--	20,941,000	--	20,941,000	--	---	--	18,610,000	--	-2,331,000
Total Obligations	701	68,486,000	711	70,294,000	+10	+1,808,000	711	68,944,000	--	-1,350,000

1/ Included in 1990 Estimate above:

Reduced Agency needs pursuant to P.L. 99-177........-$ 202,000.

Comparative transfer from ETA..........$ 57,000 and 1 FTE. From LMS..........$ 33,000 and 0 FTE.
Comparative transfer from ESA..........$ 120,000 and 3 FTE. From OSHA..........$ 75,000 and 2 FTE.
Comparative transfer from MSHA..........$ 38,000 and 1 FTE. From BLS..........$ 92,000 and 2 FTE.
Comparative transfer from DM..........$ 76,000 and 2 FTE. From OIG..........$ 16,000 and 0 FTE.

Comparative transfer to OIG..........-$ 40,000 and -1 FTE.

An increase from WCF's unobligated balance for the continued development of the new DOL Accounting System..........$1,543,000

General Statement

The Department of Labor's Working Capital Fund was established on June 29, 1957 by Public Law 85-67 and amended by Public Laws 86-703 and 91-204 to provide authority, without fiscal year limitation, for expenses necessary for providing certain services and activities on a centralized basis.

The Fund is defined as an intra-governmental revolving fund. Revolving funds are those authorized specifically by law to finance a cycle of operations in which the expenditures generate receipts which are available for continuing use without annual reauthorization by the Congress.

The Departmental Agencies include in their budget requests an amount required to finance the Fund, and to cover the services to be obtained from the Working Capital Fund service organizations. This amount is subsequently advanced to the Working Capital Fund after enactment of the Department's appropriation.

This Fund provides services on a centralized basis for the following Departmental activities (29 U.S.C. 563):

1. Administrative management services -- Provides a broad range of administrative services including space management, printing management, supply and property management, accounting and payroll oversight, employee safety and health services, and leadership and direction of Departmental and Agency education and career development programs.

2. Field services -- Provides centralized services from the Department's ten Regional Offices to all Agencies of the Department located in the regions. The services include accounting, personnel management, voucher audit, and administrative services.

3. National Capital Service Center -- Provides a range of centralized services to all Agencies of the Department located in the national capital area. These services include personnel, accounting, payroll and voucher payments, procurement, and contracting.

4. Penalty mail and telecommunications -- Provides for Departmental mail payments to the U.S. Postal Service and telecommunications payments to the General Services Administration.

Financing -- The fund is reimbursed by the Agencies for which centralized services are performed at rates which return in full all expenses of the operation, including reserves for accrued annual leave and depreciation of equipment. In addition, the Fund receives advances and/or reimbursements for services rendered to Federal, State and local government and non-governmental entities. Through a reimbursable agreement, the General Services Administration provides the Department of Labor funding for the operation and maintenance of the Frances Perkins Building.

ADMINISTRATIVE MANAGEMENT SERVICES

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference — 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
195	$21,092,000	198	$22,759,000	+3	+$1,667,000	198	$22,130,000	--	-$629,000

1/ Included in 1990 Estimate above:
Reduced Agency needs pursuant to P.L. 99-177....-$ 63,000.
Comparative transfer from DOL Agencies...........$ 187,000 and 3 FTE.
An increase from WCF's unobligated balance for the continued development of the new DOL Accounting System..............................$1,543,000.

Introduction

This activity directs a modern cost-effective program for providing centralized administrative services to all agencies of the Department of Labor (DOL) and provides policy and guidance in administering administrative programs and services in the following areas:

1. Accounting and Payroll Oversight
2. Space Management
3. Supply and Property Management
4. Printing Management
5. Emergency Preparedness
6. Employee Safety and Health Services
7. Facilities Management
8. Education and Career Development

1991 Budget Request

The budget request for this activity provides for 198 positions and $22,130,000 in related resources. This submission supports the priorities, goals and objectives of the Office of the Assistant Secretary for Administration and Management (OASAM) in the FY 1991 budget year. This activity will continue to provide administrative management services in support of the Department's programs and provides for the maintenance of the Department's Federal Drug-Free Workplace program pursuant to Executive Order 12564 and the Supplemental Appropriation Act of 1987.

This activity will substantially complete modernization of the core of the new Departmental Accounting System. It will also continue to direct, control and provide oversight to the Department's payroll, accounting and payment systems in accordance with generally accepted government accounting principles, standards, procedures and directives established by the General Accounting Office (GAO), the Department of Treasury, the Office of Personnel Management (OPM), and the Office of Management and Budget (OMB). This activity will continue giving priority and emphasis to enhanced financial policies, procedures and systems, specifically cash management, credit management/debt collection, travel management, internal controls and other resource utilization improvements under Congressional and Presidential management initiatives. In addition, this activity will continue to prepare and submit financial reports to OMB and Treasury on a Department-wide basis and will cooperate with the Office of Inspector General in its program of audits related to accounting systems and operations.

Administrative services will be provided to DOL agencies in functional areas such as office space allocation and renovation, procurement, printing and reproduction services, warehousing, property management, office supplies, telephone and data communications, and emergency preparedness planning. Emphasis will be placed on providing a high level of service while constantly attempting to identify ways of reducing costs and less-essential services. This activity also will provide for the continuation of the full range of services in the Frances Perkins Building (FPB) which supplements those provided under the building delegation. Such services include security, mail operations and support services (conference room reservations, promoting carpooling, etc.) In addition, tenant alterations and special services are provided on a reimbursable basis. In FY 1991 efforts will continue to be directed toward developing energy conservation, with the aim of better managing consumption.

In FY 1991 emphasis will continue to focus on enhancing worker preparation through design and implementation of new and revised DOL Academy programs, development of job specific core curriculum, and expansion of computer and computer-assisted training in the national office and the field offices.

This activity will continue to prepare and maintain a history of the Department of Labor, maintain an annotated index of the Secretary of Labor's files for presentation and process each piece of secretarial mail according to urgency, appropriate signature level of response, and intra-departmental coordination.

1990

A total of $22,759,000 and 198 positions are requested for fiscal year 1990. This level of resources provides for a decrease of $63,000 related to the streamlining of Agency services and for a comparative transfer of 3 FTE and related resources from DOL Agencies to enhance the national office training program and to finance the National Office Fitness Program. These resource levels provide staff and dollar resources necessary to enhance training in the national office and to provide a national office fitness program in the Frances Perkins Building. Also included in the FY 1990 Estimate is an increase of $1,543,000 from WCF's unobligated balance for the continued development and implementation of the new DOL Accounting System. This request will allow a smooth transition to the new system.

Under the direction of OASAM, this activity will continue to provide accounting, payroll, and finanical management oversight, space management, supply and property management, printing management, emergency preparedness, employee safety and health services, communications, and facilities management to all Departmental agencies. Services will be enhanced for bulk paper purchases, the telephone service and maintenance contract, the locksmith contract, and printing. Also in FY 1990 under the leadership of Executive Direction, the Department of Labor Academy will ensure that Agency education and career programs are comprehensive, integrated, cost effective and responsive to the needs of the Department's employees and managers; historical records of the Secretary of Labor's files will continue to be maintained; and secretarial mail will be received, and evaluated and routed according to urgency.

Priority and emphasis will continue on financial policies, procedures, and systems, particularly in cash, credit management/debt collection, space, travel, internal controls, and other resource utilization improvements.

In 1990 accounting, payroll, and financial management guidance and systems activities will continue to be provided to the Department. This activity will continue to provide administrative services, to provide employee safety and health services, to direct the emergency preparedness program, and to maintain historical records for the Department.

This activity will continue work on the modernization of the Integrated Accounting System. This activity will continue to play a leading role in the effective development and implementation of financial management and internal control policies and procedures. In addition, this activity will continue to formulate and issue financial policy directives, and will report the Department's financial status to Treasury in accord with its new procedures and requirements. This activity will also plan for the implementation of the management reporting requirements of the Inspector General Amendments of 1988 and other related systems and operational audit action requirements.

This activity will continue to provide the overall leadership and direction in the development and execution of Departmental and Agency education and career development programs. The Department of Labor Academy has the responsibility for ensuring that education and career development programs are comprehensive, integrated, cost effective and responsive to the needs of the Department's employees and managers.

The assignment of office space, especially in the field, will be scrutinized with the objective of accelerated implementation of the on-going program to reduce space utilization rates.

Telecommunications management will concentrate on controlling costs through an information program to managers to alert them to the costs associated with the old as well as the emerging new telecommunications technology. Guidance will continue to be published to assist in better management of the system.

Property management will focus on assuring continued accounting for capitalized equipment and reconciliation with corresponding data in the accounting system. A new replacement system is being explored in conjunction with modernization of the Department's accounting system.

Emphasis will be placed on monitoring the respective DOL Agency safety and health programs as well as those operating in the field; overseeing the training of staff with safety and health responsibilities; and implementing a drug-free workplace program, including drug testing.

1989

During FY 1989, this activity under the direction of the Office of Comptroller continued to emphasize finanical management and service by improving DOL's finanical management reporting, strengthening internal controls and protections for the Department's resources, and expediting separations processing. DOL attained better than 80% submission rate for employee separation packages forwared to Office of Personnel Management within 30 days of the effective date of separation.

The Directorate of Administrative and Procurement Programs provided the leadership to enable the Department to make considerable progress in its effort to serve as a model employer in helping employees with their dependent care needs. In the national office, an additional classroom completed in the DOL Child Development Center permitted it to serve children in the lower age range. As well, a Dependent Care Information Center was constructed in the FPB lobby.

There was a continuing focus on improvements in the work environment and building operations at the Frances Perkins Building. The new roof was nearly completed and work continued to add lights on the Northeast Plaza to increase the safety of our employees. This activity continued the delivery of a full range of building services which include security and alteration services. Overall services were delivered in a prudent and cost efficient manner.

The Office of Safety and Health (OSH) continued Department-wide development of the DOL Fitness/Wellness Program. Five DOL regions were assisted in getting their programs up and fully operative. In the National Office, OSH was instrumental in doubling the number of DOL employees who participate in these kinds of activities in the FPB Fitness Center. OSH also developed and supported the Agencies' implementation of a Hazard Communication Program, thus satisfying the Department's requirements pursuant to OSHA's Hazard Communication Standard.

This activity continued receiving, evaluating, and routing each piece of secretarial mail according to urgency, appropriate signature of response, and intra-departmental coordination.

Activity Changes:	Changes for 1991
Built-in:	
Within-grade increases effective in FY 1991	$108,000
Annualization of within-grade increases needed for only part of 1990	110,000
Annualization of pay increase effective January 1990	119,000
General pay increase effective FY 1991	216,000
One additional day of pay in FY 1991	30,000
Travel and transportation of persons	4,000
Transportation of things	3,000
Space rent	144,000
Comm., util., and other rent	37,000
Printing and reproduction	21,000
Supplies and materials	76,000
Other services	23,000
Equipment	3,000
Costs related to the development and implementation of the new accounting system	-1,543,000
Total Built-in	-$649,000
Net Program	+$20,000
FTE	---

Administrative Management Services

Proposal: To provide an increase for Agency use of an On-Line Query (OLQ) system under the Department of Labor Accounting and Related Systems (DOLAR$).

Rationale: To provide meaningful and timely reports which are responsive to management needs.

Program Effects: DOLAR$ will have the capability to generate ad hoc reports on a daily basis through an OLQ process.

Base:

FTE: 198 Estimate: $22,110,000

Program Increase

FTE: --- Estimate: +$125,000

Proposal: To provide a decrease in less essential service contracts (such as furniture rehabilitation and moving expenses, etc).

Rationale: To reflect a reduction due to budgetary constraints.

Program Effects: Savings will be achieved through management initatives.

Base:

FTE:	198	Estimate:	$22,110,000

Program Decrease

FTE:	---	Estimate:	-$105,000

FIELD SERVICES

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
386	$20,805,000	394	$21,023,000	+8	+$218,000	394	$22,242,000	--	+$1,219,000

1/ Included in 1990 Estimate above:
Reduced Agency needs pursuant to P.L. 99-177..-$102,000.
Comparative transfer from DOL Agencies.........$320,000 and 8 FTE.

Introduction

This activity provides leadership, planning, direction, and coordination for administrative and management support services to all Departmental organizations throughout the DOL regions; represents the Assistant Secretary for Administration and Management in all administrative and management matters within the regions; and assists in the development, implementation and modifications of the Department's programs in the field. A full range of field services is provided to ensure that all 10 regional offices, which are located in the cities of Boston, New York, Philadephia, Atlanta, Chicago, Dallas, Kansas City, Denver, San Francisco, and Seattle, are organized and staffed to provide services in a responsive, economical, efficient, and effective manner, including:

1. Financial management services to implement Departmental financial policies and standards, and ensure financial accountability and control of resources allotted to all Agencies in the regions; processing travel, payroll, and other vouchers for payment; fulfilling the accounting, budgetary, and financial support requirements of all DOL Agencies in the field.

2. Personnel management services such as recruitment, staffing, job classification, labor-management relations, and job training administered in accordance with applicable laws, regulations and directives.

3. Equal employment programs to promulgate affirmative action principles to achieve adequate representation of all groups of persons in society at all levels of employment in all occupations in accordance with an approved Affirmative Action Plan and to handle informal and formal complaints of discrimination in accordance with laws, regulations, and directives.

4. Procurement, property and space management, communications, mail services, forms and publications services, and general services which include telephone installation, GSA car rentals, office renovations, equipment repairs, etc.

5 Data processing services, improvement of ADP and telecommunication integration, technical assistance, analysis, and programming for DOL Agencies with the use of Departmental employees and contractors as feasible.

6 Management and system analysis and services designed and directed toward assisting managers in attaining utilization of staff and other resources.

1991 Budget Request

In FY 1991, Field Services will continue to implement plans to improve productivity, efficiency and effectiveness of DOL operations. Priority and emphasis will continue on financial policies, procedures and systems, particularly in the managerial areas of cash, credit/debt collection, space, travel, internal controls, and other resource utilization improvements such as participation in Cooperative Administrative Support Units (CASU's). Accounting, payroll, and financial management guidance and systems support will continue to be provided to DOL Agencies in the Regions.

This activity will continue to direct a comprehensive personnel program including staff assistance to management of all field Agencies, processing personnel actions, classification and audit of positions, and review of performance appraisals.

In addition, this activity will continue to provide administrative management services, employee safety and health services, and to coordinate the emergency preparedness program.

1990

The FY 1990 Estimate provides for a decrease of $102,000 related to the streamlining of Agency services and for a comparative transfer of 8 FTE and $320,000 from DOL Agencies to finance regional office training positions and related costs. These resource levels provide the necessary staff and dollar resources to enhance training activities in the ten regional offices.

In FY 1990, the following will continue to be areas of major emphasis: financial management services, personnel management services, equal employment programs, procurement, property and space management, communications, mail services, forms and publications services, and general services, data processing services, and management and systems analysis. Services will be enhanced for regional fitness programs and for Cooperative Administrative Support Units.

Cooperative Administrative Support Units (CASUs) development in all regional office locations, productivity improvements, space costs reduction, property management, and expansion of education and career development programs continue to be Departmental priorities for administration and management services in field services.

1989

During 1989, this activity undertook a number of positive initiatives designed to improve client services and contain costs through improved efficiency and productivity. Physical Fitness Centers were established or under development in most DOL regions.

A major effort was undertaken to begin the utilization of credit cards to make small purchases of up to $1,000 in the field. Credit cards were in use in all the regions, and should both reduce paperwork and get the item to the requester more promptly.

In the field, information on referral services and counselling was made available, seminars held, and printed information provided. Also, each regional office significantly reduced the time between employees' retirements and the date Office of Personnel Management received their papers for processing--the result was an annuity check on a more timely basis.

Changes for 1991

Activity changes:

Built-in:

Within-grade increases effective in FY 1991	$178,000
Annualization of within-grade increases needed for only part of 1990	175,000
Annualization of pay increase effective January 1990	194,000
General pay increase effective FY 1991	358,000
One additional day of pay in FY 1991	53,000
Travel and transportation of persons	16,000
Transportation of things	1,000
Space rental	206,000
Comm., util., & other rent	25,000
Printing and reproduction	7,000
Supplies and materials	3,000
Equipment	3,000
Total Built-in	+$1,219,000

NATIONAL CAPITAL SERVICE CENTER

JUSTIFICATION

1990 Appropriation		1990 Estimate		1/ Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
120	$ 5,648,000	119	$ 5,571,000	-1	-$77,000	119	$ 5,962,000	--	+$391,000

1/ Included in 1990 Estimate above:
Reduced Agency needs pursuant to P.L. 99-177.........-$37,000
Comparative transfer to Office of Inspector General -$40,000 and -1 FTE

Introduction

The National Capital Service Center (NCSC) was established to provide centralized administrative support services to Department of Labor Agencies. It also provides selective services such as procurement and travel management support for all of the Agencies headquartered in Washington, D.C. The concept of a single delivery organization is intended to achieve savings in administrative costs through consolidation of separate administrative offices in the National Capital area. The NCSC provides such services as personnel management, finanical management, budget formulation and execution, procurement, and also serves as the Administrative Officer for OASAM and several of the smaller DOL Agencies.

1991 Budget Request

In FY 1991, NCSC will continue to provide centralized administrative support services to client Agencies in an efficient manner. Enhancement of automated systems will continue to increase productivity efforts and will remain an NCSC priority. The client outreach programs will continue to allow clients to participate in the process of improving the timeliness and quality in the delivery of administrative services.

The Clerical Support Program will continue to provide new clerical employees with an intense, highly structured training and development program that prepares them for assuming a secretarial position in the Department.

1990

The FY 1990 Estimate includes a reduction of $37,000 related to the streamlining of Agency services and a comparative transfer of 1 FTE and $40,000 to Office of Inspector General for its contracting function.

In 1990, NCSC will continue to provide a range of centralized services to all Agencies of the Department located in the national capital area. Emphasis will be placed on reducing the processing time in the delivery of services in all operational areas.

PENALTY MAIL AND TELECOMMUNICATIONS

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
--	$20,941,000	--	$20,941,000	--	---	--	$18,610,000	--	-$2,331,000

Introduction

This activity provides for Departmental mail payments to the U.S. Postal Service (USPS) and telecommunications payments to the General Services Administration (GSA) and commercial vendors. The cost of official mail is based on a combination of metered mail data, internal Departmental surveys conducted several times during the year and on USPS surveys.

Mail generated by the State Employment Security Agencies, paid for by the Employment and Training Administration program funds, is excluded.

The Federal Telecommunications Systems (FTS) is a domestic, long-distance service provided by a commerical carrier under contract to the General Services Administration. The network provides switched voice, switched data, dedicated transmission, packet switched, video transmission and switched digital integrated service.

1991 Budget Request

Under the direction of the Office of Management and Productivity, this activity will continue to develop policy and systems to ensure that the Department's mail costs represent actual services used, and provide information and guidance to DOL Agencies on cost effective mail systems and practices. The Department will continue its multi-year efforts to reduce mail costs through accountability systems using metering and direct accountability methods.

Telecommunication services will be converted to FTS 2000 in FY 1991, resulting in a reduced operating cost to the Department for similar services previously obtained from commerical vendors or GSA's predecessor service. The reduction of $4,343,000 is DOL's share of estimated government-wide savings for voice communications partially offset by an increase of $450,000 for FTS Management Fee and $472,000 for data transmission. This savings will be realized by the Department's gaining access to a lower-cost Government alternative. In addition to voice and voice-related services, selected data communications will also be transitioned to FTS 2000. To ensure equitable distribution of costs both to the Department and internally to the program Agencies, increased monitoring of the FTS 2000 trafffic and billing data will be undertaken.

Changes for 1991

Activity Changes:

Built-in:

Within-grade increases effective in FY 1991	$64,000
Annualization of within-grade increases needed for only part of 1990	64,000
Annualization of pay increase effective January 1990	68,000
General pay increase effective FY 1991	128,000
One additional day of pay for FY 1991	19,000
Travel and transportation of persons	1,000
Space rental	41,000
Comm., util., and other rent	2,000
Printing and reproduction	2,000
Supplies and materials	2,000
Total Built-in	+$391,000

UCF-22

PENALTY MAIL AND TELECOMMUNICATIONS

JUSTIFICATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
--	$20,941,000	--	$20,941,000	--	---	--	$18,610,000	--	-$2,331,000

Introduction

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Telecommunication services will be converted to FTS 2000 in FY 1991, resulting in a reduced operating cost to the Department for similar services previously obtained from commerical vendors or GSA's predecessor service. The reduction of $4,343,000 is DOL's share of estimated government-wide savings for voice communications partially offset by an increase of $450,000 for FTS Management Fee and $472,000 for data transmission. This savings will be realized by the Department's gaining access to a lower-cost Government alternative. In addition to voice and voice-related services, selected data communications will also be transitioned to FTS 2000. To ensure equitable distribution of costs both to the Department and internally to the program Agencies, increased monitoring of the FTS 2000 trafffic and billing data will be undertaken.

1990

Priority will continue toward expanding the use of metered mail in metropolitan Washington, Federal Office Buildings (FOB) in the regions, and field offices outside of FOB's. This activity will continue the Department's multi-year effort to reduce mail costs through accountability systems using metering and direct accountability methods.

In FY 1990, the newly developed automated mail reporting process through a Department-wide PC network will improve program management by creating a unified reporting tool that will speed up, simplify and improve accuracy of reporting. The FY 1990 estimate provides an increase for official mail.

A video will be developed during FY 1990 for distribution in the national and regional offices on mail techniques, policies, and procedures.

The telecommunications program is undergoing considerable changes during FY 1990 to begin transition to FTS 2000. Expanded services from FTS 2000 will permit a phased shifting from current sources, requiring testing, some parallel operations, and cutover. Potential impacts on program operations will be assessed and actions taken to avoid negative effects. Monitoring activities are being increased to ensure a smooth, coordinated transition.

1989

Individualized reports were provided to mail managers on the mail processed through the meters. The reports permitted the managers to review their mail costs and alert them to trends which might impact mail budgets.

Guidance was issued to Agency managers on USPS policies and procedures for determining amounts for mail, and Agency managers were advised of new USPS rules on business reply mail. Managers examined program requirements to reduce the number of locations receiving reply mail.

Efforts continued to provide data to program managers permitting them to monitor use of the FTS. Additionally, guidance was disseminated to managers to assist them in distinguishing proper uses from abuse, as well as techniques that could be employed to reduce costs.

Changes for 1991

Activity changes:

Built-in:	
Official mail costs	+$1,090,000
Telecommunications costs	922,000
Total Built-in	+$2,012,000
Net Program	-$4,343,000

Penalty Mail and Telecommunications

Proposal: To provide a decrease in cost of telecommunications services.

Rationale: To reflect a reduction for DOL's share of the estimated government-wide savings for voice communications from the installation of FTS 2000.

Program Effects: Savings will be realized by the Department's gaining access to a lower-cost Government alternative.

Base:
FTE: ---
Estimate: $22,953,000

Program Decrease:
FTE: ---
Estimate: -$4,343,000

STANDARD FORM 306
July 1948, Bureau of the Budget
Circular No. A-11, Revised

WCF-25

DEPARTMENTAL MANAGEMENT
WORKING CAPITAL FUND

DETAIL OF PERMANENT POSITIONS

16-4601-0-4-505	FY 1989 actual	FY 1990 estimate	FY 1991 estimate
ES-4	1	1	1
ES-3	1	1	1
ES-2			
ES-1		1	1
Subtotal	2	3	3
GS-18			
GS-17			
GS-16			
GS/GM-15	20	20	20
GS/GM-14	30	30	30
GS/GM-13	84	83	83
GS-12	115	117	117
GS-11	60	60	60
GS-10	2	2	2
GS-9	26	28	28
GS-8	13	13	13
GS-7	82	82	82
GS-6	78	78	78
GS-5	110	110	110
GS-4	39	39	39
GS-3	9	9	9
GS-2	2	1	1
GS-1	--	--	--
Subtotal	670	672	672
Upgraded	36	30	30
Total Permanent Positions 1/	708	705	705
Unfilled positions, end-of-year	-9	--	--
Total Permanent Employment end-of-year	699	705	705
1/GSA allocation included above	(21)	(25)	(25)

(Mono cast: 16.8) (Mono cast: 4.9) (Mono cast: 4.9) (Mono cast: 4)

GENERAL PROVISIONS

The following sections are proposed for deletion and do not appear below:

Sec. 103 ...... Prohibits contracting the operation of certain Job Corps Centers to nongovernmental agencies.
Sec. 104 ...... Restricts the use of Job Corps funds for paying legal expenses in criminal cases.
Sec. 105 ...... Authorizes the transfer of certain property to the State of Oregon.

Sec. 101. Appropriations in this Act available for salaries and expenses shall be available for supplies, services, and rental of conference space within the District of Columbia, as the Secretary of Labor shall deem necessary for settlement of labor-management disputes.

Sec. 102. None of the funds appropriated under this Act shall be used to grant variances, interim orders or letters of clarification to employers which will allow exposure of workers to chemicals or other workplace hazards in excess of existing Occupational Safety and Health Administration standards for the purpose of conducting experiments on workers health or safety. *(Department of Labor Appropriations Act, 1990.)*

TITLE V—GENERAL PROVISIONS

The following sections are proposed for deletion and do not appear below:

Sec. 512 ...... One-time provision requiring full absorption of the FY 1990 pay raise.
Sec. 513 ...... Sense of Congress provision that colleges and universities should have drug-free campuses.
Sec. 514 ...... One-time Congressionally-initiated limitation on obligations for advisory and assistance services.
Sec. 515 ...... One-time provision on transfer authority for FY 1990.
Sec. 516 ...... Prohibits contracting the operation of certain Job Corps centers by non-governmental agencies (also appears in Department of Labor General Provisions).
Sec. 517 ...... One-time Congressionally-initiated reduction for FY 1990 for two Labor Department salaries and expense accounts.
Sec. 518 ...... One-time Congressionally-initiated reduction for FY 1990 of salaries and expenses of the Department of Health and Human Services.
Sec. 519 ...... Prohibition against use of funds for reclassification of certain rural referral centers, and reduction in Health Care Financing Administration program management to pay for costs of prohibition.
Sec. 520 ...... Limitation on distribution of sterile needles.
Sec. 521 ...... Provision on Dial-A-Porn sanctions.

Sec. 501. The expenditure of any appropriation under this Act for any consulting service through procurement contract, pursuant to 5 U.S.C. 3109, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive order issued pursuant to existing law.

SEC. 502. No part of any appropriation contained in this Act shall be expended by an executive agency, as referred to in the Office of Federal Procurement Policy Act (41 U.S.C. 401 et seq.), pursuant to any obligation for services by contract, unless such executive agency has awarded and entered into such contract in full compliance with such Act and regulations promulgated thereunder.

SEC. 503. Appropriations contained in this Act, available for salaries and expenses, shall be available for services as authorized by 5 U.S.C. 3109 but at rates for individuals not to exceed the per diem rate equivalent to the rate for GS-18.

SEC. 504. Appropriations contained in this Act, available for salaries and expenses, shall be available for uniforms or allowances therefor as authorized by law (5 U.S.C. 5901-5902).

SEC. 505. Appropriations contained in this Act, available for salaries and expenses, shall be available for expenses of attendance at meetings which are concerned with the functions or activities for which the appropriation is made or which will contribute to improved conduct, supervision, or management of those functions or activities.

SEC. 506. No part of the funds appropriated under this Act shall be used to provide a loan, guarantee of a loan, a grant, the salary of or any remuneration whatever to any individual applying for admission, attending, employed by, teaching at, or doing research at an institution of higher education who has engaged in conduct on or after August 1, 1969, which involves the use of (or the assistance to others in the use of) force or the threat of force or the seizure of property under the control of an institution of higher education, to require or prevent the availability of certain curricula, or to prevent the faculty, administrative officials, or students in such institution from engaging in their duties or pursuing their studies at such institution.

SEC. 507. The Secretaries of Labor, Health and Human Services, and Education are authorized to transfer unexpended balances of prior appropriations to accounts corresponding to current appropriations provided in this Act: *Provided*, That such transferred balances are used for the same purpose, and for the same periods of time, for which they were originally appropriated.

SEC. 508. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 509. No part of any appropriation contained in this Act shall be used, other than for normal and recognized executive-legislative relationships, for publicity or propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, radio, television, or film presentation designed to support or defeat legislation pending before the Congress, except in presentation to the Congress itself.

No part of any appropriation contained in this Act shall be used to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to influence legislation or appropriations pending before the Congress.

SEC. 510. The Secretaries of Labor and Education are each authorized to make available not to exceed $7,500 from funds available for salaries and expenses under titles I and III, respectively, for official reception and representation expenses; the Director of the Federal Mediation and Conciliation Service is authorized to make available for official reception and representation expenses not to exceed $2,500 from the funds available for "Salaries and expenses, Federal Mediation and Conciliation Service"; and the Chairman of the National Mediation Board is authorized to make available for official reception and representation expenses not to exceed $2,500 from funds available for "Salaries and expenses, National Mediation Board."

SEC. 511. When issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money, all grantees receiving Federal funds, including but not limited to State and local governments, shall clearly state (1) the percentage of the total costs of the program or project which will be financed with Federal money, (2) the dollar amount of Federal funds for the project or program, and (3) percentage and dollar amount of the total costs of the project or program that will be financed by nongovernmental sources. *(Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1990.)*

WEDNESDAY, MARCH 7, 1990.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

WITNESSES

GERARD F. SCANNELL, ASSISTANT SECRETARY FOR OCCUPATIONAL SAFETY AND HEALTH

ALAN C. McMILLAN, DEPUTY ASSISTANT SECRETARY

CYNTHIA DOUGLASS, DEPUTY ASSISTANT SECRETARY

CHARLES E. ADKINS, DIRECTOR, HEALTH STANDARDS PROGRAM

ROBERT A. POOGACH, BUDGET OFFICER

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

INTRODUCTION OF WITNESSES

Mr. NATCHER. At this time, we take up the budget request for fiscal year 1991 for the Occupational Safety and Health Administration.

We have before the committee Mr. Gerard F. Scannell, the Assistant Secretary for Occupational Safety and Health. And Mr. Scannell, before we take your statement, tell us who you have with you at the table.

Mr. SCANNELL. Yes, Mr. Chairman.

On your left, we have James E. McMullen, Director of the Office of Budget for the Department of Labor, Cynthia Douglass, who is Deputy Assistant Secretary for the Occupational Safety and Health Administration; and Robert A. Poogach, OSHA's Budget Officer. On my left and your right is Alan C. McMillan, Deputy Assistant Secretary for OSHA; and the last person on your right there is Charles E. Adkins, who is Director of Health Standards.

OPENING STATEMENT

Mr. NATCHER. Glad to have all of you before the committee, and now, Mr. Scannell, we will be pleased to hear from you.

Mr. SCANNELL. Thank you very much, Mr. Chairman.

I would like to have the opportunity to place my entire statement in the record, if I may.

Mr. NATCHER. It is in the record.

Mr. SCANNELL. Thank you, sir.

Mr. Chairman and members of the subcommittee, thank you very much for the opportunity to discuss the Occupational Safety and Health Administration's fiscal year 1991 appropriation request. This request reflects the dramatic efforts to improve worker safety and health in America that are being undertaken under the leadership of President Bush and Secretary of Labor Elizabeth Dole, my boss.

From the very start, Secretary Dole has said that we must ensure that the American workplace is as safe and secure as we can make it, and she has steadily worked in that direction.

Last year, Secretary Dole requested and we received with your help an additional $14,856,000 from Congress for the OSHA budget to fund the return of the California State program. By allowing OSHA to retain and redeploy the compliance officers previously utilized in California, this action had the net effect of increasing OSHA's Federal compliance staff by over 11 percent.

This year, Secretary Dole is requesting another increase of nearly $21 million for OSHA's 1991 budget. This includes additional compliance officers, increased ergonomic and medical support staff, as well as funds to improve the Bureau of Labor Statistics' Occupational Injury and Illness Recordkeeping System.

The request you have before you breaks down as follows: About $10,900,000 of the budget increase is due to net increases in built-in costs, primarily salaries and related costs for Federal and State employees.

Included in this request are program increases totalling $9,928,000. We are requesting $2,700,000 and 34 additional full-time equivalent staff years to provide for a targeted program initiative in enforcement in meat-packing. This is our projected national special emphasis program in ergonomics directed initially at cumulative trauma disorders in large meat-packing plants.

This industry has consistently had one of the highest injury-illness rates in the country. Addressing such hazards will require considerable commitment of resources in enforcement, cooperative programs, training, information, research, and technical support.

Twenty-seven of the additional 34 positions will be for Federal enforcement, and seven additional positions will be for technical support, representing increases in the agency's ergonomic and medical expertise.

Mr. Chairman, as I sit here, I am appalled that after almost 20 years since the Act was signed, we don't have an accurate system to count fatalities. I am told that fatalities are 40 to 60 percent underreported.

Therefore, in 1991, we plan to increase our focus on the critically important tasks of improving our recordkeeping, statistical and computer systems. Our proposal calls for $4,000,000 to permit the Bureau of Labor Statistics and State agencies to implement the multi-year redesign of the Occupational Safety and Health Statistics Program initiated in 1990. Besides providing national estimates, the redesigned system will yield detailed statewide information on workplace injuries and illnesses, and characteristics of the workers involved.

We also propose to begin a three-year program of replacing existing computer equipment, some of it eight years old, in all Federal OSHA offices and all State plan and consultation programs. Because the new equipment will build on our current system, we will be able to minimize installation, programming and training costs. The request for computers totals $3,228,000.

OSHA's appropriation request for $287,893,000 will support 2459 FTEs, including 1,290 compliance officer FTEs. We will continue to promote expedited regulatory and non-regulatory activities including inspections, providing technical expertise in specialized areas, consultation, training, State programs, programs dealing with Federal employees, and Voluntary Protection Programs, which recognize achievement by employers in improving safety and health statistics.

We expect to conduct about 61,450 worksite inspections in 1991, with safety and health inspectors in State plan States conducting another 106,900 inspections. Inspections are targeted to high-hazard industries, with major emphasis being placed on meat-packing, as mentioned earlier, and on construction safety. At least 50 percent of all inspections are directed to construction worksites. We have reorganized our construction office, which will permit us to enhance our capacity to provide quick, expert assistance in response to workplace disasters.

Thank you again, Mr. Chairman, and members of the subcommittee. I will be happy to answer any questions you may have.

[The information follows:]

Statement by Gerard F. Scannell
Assistant Secretary for Occupational Safety and Health
House Appropriations Subcommittee
Occupational Safety and Health Administration
Salaries and Expenses
March 7, 1990

Mr. Chairman and Members of the Subcommittee:

Thank you for this opportunity to discuss the Occupational Safety and Health Administration's fiscal year 1991 appropriation request. This request reflects the dramatic efforts to improve worker safety and health in America that are being undertaken by Secretary of Labor Elizabeth Dole. From the very start, Secretary Dole has said that we must ensure that the American workplace is as safe and secure as we can make it; and she has steadily worked in that direction.

The fiscal year 1991 budget requests a total of $287,893,000 and the full-time equivalent of 2,459 staff years -- a net increase of $20,874,000 and 34 staff years over the estimates for the current year. This request allows for increases in built-in costs totaling $13,264,000, offset in part by a decrease of $2,318,000 in the support costs associated with staff relocated from California. Also included in this request are program increases totaling $9,928,000. We are requesting $2,700,000 and 34 FTE to provide for a targeted program initiative in enforcement. In addition, this amount reflects a request of $3,228,000 to replace OSHA's outdated and less dependable computer equipment used for the Integrated Management Information System. Finally, $4,000,000 is requested to provide for the crucial implementation of a restructuring plan of the Bureau of Labor Statistics occupational safety and health statistical system and to begin development of a fatal occupational injury data system.

The agency continues to promote a mix of expedited regulatory and non-regulatory activities that includes standards development, inspections, technical expertise in specialized areas, consultation, training, assistance, state programs, Federal agency programs, voluntary protection programs, and statistics. We expect to conduct approximately 61,450 worksite inspections in fiscal year 1991. State safety and health inspectors in plan states are expected to conduct an additional 106,900 worksite inspections. This figure reflects the full resumption of private sector enforcement activity by the State of California. Inspections are targeted in high-hazard industries, with continuing emphasis on health hazards and enforcement of OSHA's hazard communication standard in all applicable industries. Construction safety continues to be a major emphasis, with at least 50 percent of all inspections directed to construction worksites. OSHA's soon to be reorganized Office of Construction and Engineering will enhance the agency's capacity to provide quick, expert assistance in response to workplace disasters.

One of our main focuses in 1991 will be a national special emphasis program in ergonomics, directed initially at cumulative trauma disorders in large meat-packing plants. This industry has consistently had one of the highest injury/illness rates in the country. To address these hazards systematically will require a considerable commitment of resources in enforcement, cooperative programs, training, information and research, and technical support. Accordingly, we are requesting 27 additional positions for Federal enforcement and seven additional positions for technical support, to enable us to implement this vitally important initiative without reducing our existing enforcement presence in other workplaces. In 1991, the agency will conduct three extremely comprehensive inspections of large meat-packing plants. We will supplement this program with strong settlement agreements, monitoring inspections and other cooperative enforcement efforts. This will enable us to identify employer programs which have been successful in addressing cumulative trauma disorders, and which can serve as models for other employers. In addition, our enhanced medical support staff will improve our ability to examine the causes of these injuries, which will lead to medically sound abatement methodologies.

In 1991 we will enhance our focus on the vitally important tasks of improving our recordkeeping, statistical and computer systems. Our proposal will permit the Bureau of Labor Statistics and state agencies to implement the multi-year redesign of the occupational safety and health statistics program initiated in 1990, and to develop a comprehensive system for tracking fatalities. Besides providing national estimates, the redesigned system will yield detailed state-wide information on workplace injuries and illnesses, and characteristics of the workers involved. We also propose to begin a three-year plan to replace existing computer equipment in all Federal offices and all state plan and consultation programs. In 1991 we will begin replacing our current computer equipment, some of it eight years old, and make major software modifications required to convert current data applications to a new system. Procurement of updated equipment will also permit compatibility with the Department's computer network. The new system will contribute to increased efficiency in all area office operations, including targeting inspections to the high-hazard industries, accessing scientific and technical data bases, accounting, penalty collection, and citation preparation. Because the new equipment will build on our current system we will be able to minimize installation, programming and training costs.

Comprehensive safety and health standards, which provide quality protection to American workers, will be developed and promulgated expeditiously. OSHA will continue to issue new and updated Permissible Exposure Limits for industrial chemicals and substances, using the most up-to-date scientific information and analytical techniques available. A full range of technical services is provided to support OSHA's program operations, including laboratory services and regulatory analyses. OSHA's technical support staff will continue to focus on new and complex issues, particularly those associated with biological hazards such as bloodborne pathogens. State personnel providing complimentary onsite employer consultations will make approximately 26,000 worksite visits in 46 states and jurisdictions, including over 2,000 comprehensive training and assistance visits. The agency also will continue to approve worksites with exemplary safety and health management programs for participation in Voluntary Protection Programs. These worksites generally have lost workday case injury rates that are about forty percent of the average for firms in their industries.

Many employers clearly deserve agency recognition for taking strong measures to protect their workers from safety and health hazards while on the job.

Thank you, Mr. Chairman. This concludes my statement. I will be pleased to respond to any questions.

Biographical Sketch

GERARD F. SCANNELL

Assistant Secretary of Labor

Occupational Safety and Health Administration
Department of Labor

Gerard F. Scannell's nomination to serve as Assistant Secretary of Labor was approved by the Senate on October 5, 1989. As the Assistant Secretary of Labor for Occupational Safety and Health, Mr. Scannell heads the Occupational Safety and Health Administration (OSHA) and is responsible for administering and enforcing the basic provisions of the Occupational Safety and Health Act of 1970.

Until his recent appointment, Mr. Scannell was world-wide Director of Corporate Safety, Fire, and Environmental Affairs for Johnson and Johnson Products, Inc. of New Brunswick, New Jersey.

Before joining Johnson and Johnson in 1979, Mr. Scannell held progressively more responsible positions with OSHA as special assistant to the agency's first Assistant Secretary in 1971, and then as Director of Standards and Director of Federal Agency Safety and Health Programs. Prior to this, Mr. Scannell supervised the safety engineering department of the Aetna Casualty and Surety Company of Worcester, Massachusetts, and was safety director for the Rohm and Haas Company and the Thiokol Chemical Corporation, both of Bristol, Pennsylvania.

He has been Vice-Chairman of the Board of Directors of the National Safety Council, a director of the Inter-American Safety Council, a trustee of the National Fire Protection Research Foundation, Chairman of the Industrial Eye Safety Committee of the National Society to Prevent Blindness, and a member of the New Jersey State Industrial Safety Committee.

Mr. Scannell is a 1955 graduate of the Massachusetts Maritime Academy. He is married and has five children.

EMPLOYMENT BACKGROUND

Mr. NATCHER. Mr. Scannell, when did you assume office as the Assistant Secretary?

Mr. SCANNELL. October 1989, sir.

Mr. NATCHER. Just for the record now, tell us a little bit about your previous employment background, so we will have it in the record.

Mr. SCANNELL. Mr. Chairman, I was told that I started in the health and safety business when I was a Navy frogman back in 1958. I defused a guided missile and therefore I was considered one of the safe people in the United States Navy.

I then went to work for the Aetna Casualty and Surety Company as a safety engineer. Following that, I worked for the Thiokol Chemical Corporation in Bristol, Pennsylvania; and Rohm and Haas, a large chemical plant in Bristol, Pennsylvania.

I spent nine years with the Occupational Safety and Health Administration in various positions. I just recently came from the Johnson & Johnson Manufacturers of Health Care Products in New Jersey after spending approximately 10 years with them, and I now come back to the Occupational Safety and Health Administration as its Assistant Secretary.

ORGANIZATIONAL CHANGES

Mr. NATCHER. Have you made—or do you plan to make any significant management or organizational changes in the agency?

Mr. SCANNELL. Well, I have made what I consider significant changes, Mr. Chairman. On your left is Ms. Cindy Douglass, the Deputy Assistant Secretary, External Affairs. In observing the agency from the outside and then coming into the agency just recently, I felt personally that OSHA had a need for better coordination with outside activities, associations and international governments. In particular, liaison was needed with the Environmental Protection Agency, the Department of Defense, the Department of Energy, and many other agencies that do affect worker protection through various laws that they administer.

I think the change in the construction emphasis in the organization, Mr. Chairman, will go a long way toward promoting worker safety in the construction industry. We spend at least 50 percent of our compliance officer resources in enforcing standards in construction, and I am not sure there has been a notable downward change in fatalities and injuries in that industry. So, this modification to our national office with an added 12 additional employees in construction safety should go a long way toward improving construction safety.

This is not an organizational change, but it is my style of operating. When I came into the agency, before I was even sworn in or confirmed by the Senate, I reached out to organized labor, met with organized labor, met with industry, academia and the States, anyone that I call a player in the occupational safety and health arena because there are precious few resources that we have and we need to involve everyone.

I was around when the Act was passed back in 1970, and I know it was the Congressional intent that voluntary compliance would be a mainstay of the effort to promote health and safety. If we are going to achieve voluntary compliance, we have to embrace all the players that are interested in occupational safety and health. So I have reached out and I am trying to involve all of those interested persons. That is not a major organizational change, but I think it is an initiative that was needed, and I have started that.

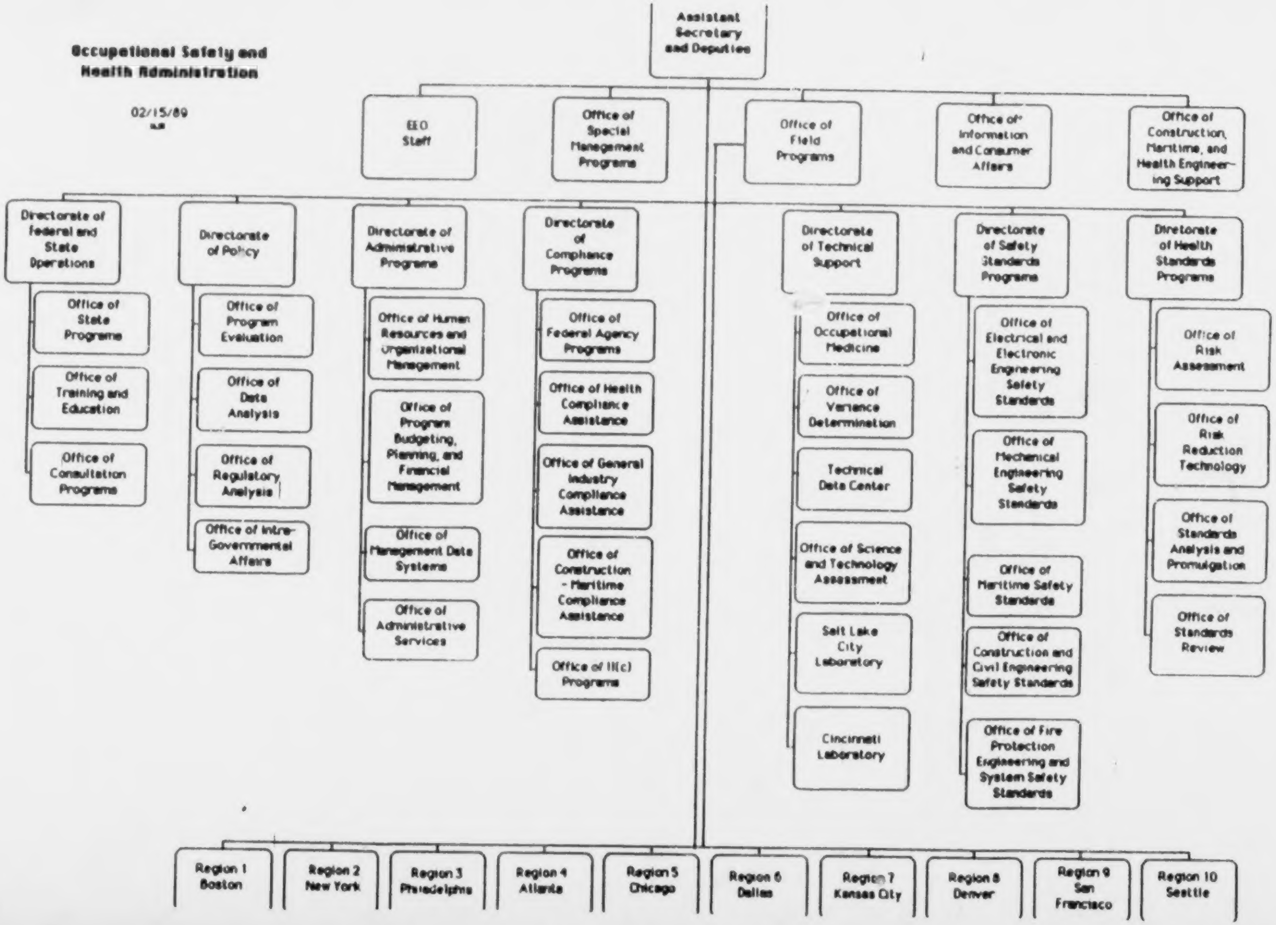
SENIOR EXECUTIVE SERVICE JOBS

Mr. NATCHER. Mr. Scannell, if you will, place an agency organizational chart in the record at this point.

[The information follows:]

Occupational Safety and Health Administration

02/15/89


Assistant Secretary and Deputies
EEO Staff
Office of Special Management Programs
Office of Field Programs
Office of Information and Consumer Affairs
Office of Construction, Maritime, and Health Engineering Support
Directorate of Federal and State Operations
Office of State Programs
Office of Training and Education
Office of Consultation Programs
Directorate of Policy
Office of Program Evaluation
Office of Data Analysis
Office of Regulatory Analysis
Office of Intergovernmental Affairs
Directorate of Administrative Programs
Office of Human Resources and Organizational Management
Office of Program Budgeting, Planning, and Financial Management
Office of Management Data Systems
Office of Administrative Services
Directorate of Compliance Programs
Office of Federal Agency Programs
Office of Health Compliance Assistance
Office of General Industry Compliance Assistance
Office of Construction - Maritime Compliance Assistance
Office of 11(c) Programs
Directorate of Technical Support
Office of Occupational Medicine
Office of Variance Determination
Technical Data Center
Office of Science and Technology Assessment
Salt Lake City Laboratory
Cincinnati Laboratory
Directorate of Safety Standards Programs
Office of Electrical and Electronic Engineering Safety Standards
Office of Mechanical Engineering Safety Standards
Office of Maritime Safety Standards
Office of Construction and Civil Engineering Safety Standards
Office of Fire Protection Engineering and System Safety Standards
Diretorate of Health Standards Programs
Office of Risk Assessment
Office of Risk Reduction Technology
Office of Standards Analysis and Promulgation
Office of Standards Review
Region 1 Boston
Region 2 New York
Region 3 Philadelphia
Region 4 Atlanta
Region 5 Chicago
Region 6 Dallas
Region 7 Kansas City
Region 8 Denver
Region 9 San Francisco
Region 10 Seattle

Mr. Natcher. How many Senior Executive Service jobs does the agency have at this time?

Mr. Scannell. Twenty-two.

Mr. Natcher. How many of these are vacant?

Mr. Scannell. Only one. It is the Director of Policy.

Mr. Natcher. Provide a list by job title of the Senior Executive Service jobs for the record.

Mr. Scannell. Yes, sir.

[The information follows:]

SES Jobs in OSHA

OSHA currently has authorized 22 Senior Executive Service jobs. Following is a listing of the job titles and number of authorized SES positions in the agency:

Deputy Assistant Secretary (2).
Director of Field Programs (1).
Director, Office of Construction, Maritime, and Health Engineering Support (1).
Director of Policy (1).
Director, Health Standards Programs (1).
Director, Safety Standards Programs (1).
Director, Administrative Programs (1).
Director, Federal-State Operations (1).
Director, Training and Education (1).
Director, Technical Support (1).
Director of Compliance Programs (1).
Safety and Health Administrator (8).
Regional Administrator (1).
Safety and Health Manager (1).

Mr. Natcher. How many of these are non-career positions?

Mr. Scannell. One, sir, is currently encumbered by a non-career person. That is the Deputy Assistant Secretary for External Affairs.

OVERALL EFFECTIVENESS OF AGENCY

Mr. Natcher. As you pointed out, Mr. Scannell, the Occupational Safety and Health Act was passed in the year 1970, and I believe went into effect probably in 1971. Tell us, if you will, what is your overall opinion of the Act; and tell us if it has been enforced effectively over the years and how well it has achieved its original purpose.

We hear from time to time complaints about the number of employees, number of inspections, not as many now as we have had in the past. How do you feel generally about it, Mr. Scannell?

Mr. Scannell. Well, Mr. Chairman, I believe that the inspections are on the increase. However, I believe in the quality of inspections, Mr. Chairman, rather than what we have heard in the past, the numbers game. We have got to target our resources, and I am going to be directing the targeting of our resources to those employers who need our attention.

And that is going to require an analysis of how best to target our resources. We brought together all of the key staff in the organization last December, and challenged the entire organization to do a better job in enforcing standards.

If you look at the BLS statistics, Mr. Chairman, as I mentioned in my opening comments, to sit here after 20 years and find out that fatalities are underreported by 40 to 60 percent is totally unacceptable. I have met with Ms. Janet Norwood, the Commissioner of

BLS, and told her that she not only has my commitment but my involvement to try to improve accounting for the fatalities and injuries and illnesses in this Nation.

It is very difficult to say that what we have done in the way of enforcement has had a major impact on reducing fatalities, injuries and illnesses. I believe it has. I think we are having a better accounting of the injuries and illnesses in the workplace, as reflected in the latest BLS data.

I feel that the Occupational Safety and Health Administration and all the dedicated staff in this agency have made a major impact. I just hope that we can demonstrate that in future years as a result of better BLS statistics.

CHANGES TO OSH ACT

Mr. NATCHER. In your opinion, should the law be changed in any way?

Mr. SCANNELL. In my opinion, there is enough flexibility in the Occupational Safety and Health Act to accomplish what Congress had intended when it was passed. There are a couple of areas where we may need improvement, and those would be in the penalty area, sir. We have task forces working to present to me a series of options for increasing penalties, so that we can keep on track with the cost of living.

Other than that, I think there is enough flexibility in the Act, Mr. Chairman, to accomplish what needs to be accomplished.

1990 SEQUESTER

Mr. NATCHER. The agency, as you know, incurred in 1990 a sequester under Gramm-Rudman-Hollings of $3,601,000. What steps are you taking to handle this reduction and what impact, if any, is it having on your activities?

Mr. SCANNELL. Well, we have to absorb the $3,601,000, as you said, as a result of a 1.4 percent budget reduction. About $1.3 million of this was related to across-the-board reductions in grants and the BLS reimbursable program. The remaining $2.3 million was spread among a variety of different object classes, including travel, contracts and equipment. Across-the-board reductions are always difficult, but we are confident that these will not undermine our essential services. The agency does not foresee, and the staff has not indicated to me, that any other direct actions are needed, i.e., no reduction-in-force. We think we have sufficient resources to conduct the business that we want to conduct.

Mr. NATCHER. Considering the important position that your Administration plays overall, why wouldn't the amount reduced under the sequester be restored in the budget in fiscal year 1991? Did you request this amount? How much did you request of OMB? Can you give me a figure?

Mr. SCANNELL. The money that we have in front of us is what we requested for our needs.

Mr. NATCHER. You received the amount you asked for; is that right?

Mr. SCANNELL. Yes, sir, the amount necessary for our program.

Mr. **Natcher**. The exact amount?

Mr. **Scannell**. Yes, sir.

Mr. **Natcher**. You did not ask for any additional, considering the amount of the reduction under the sequester?

Mr. **Scannell**. I don't know.

Mr. **Natcher**. What about turning way on down to your right, you can ask him questions every once in a while.

Mr. **Scannell**. I am glad he is here. Let's ask him that question. Mr. McMullen?

Mr. **McMullen**. We do not have the exact amount that we requested from OMB, Mr. Chairman. We would have to provide that for the record.

[The information follows:]

OSHA Budget Request

The Department of Labor submitted a budget request for 1991 to OMB for OSHA of $297,539,000. The request was submitted before final Congressional action was taken to sequester funds in FY 1990.

1991 OMB BUDGET REQUEST

Mr. **Natcher**. Can you tell us whether or not the amount was larger than the amount you received?

Mr. **McMullen**. I do believe the amount was larger, sir.

Mr. **Natcher**. As a matter of fact, didn't you, just guessing now, didn't you request the amount of the sequester in your 1991—the reduction in 1990?

Mr. **McMullen**. When the request was made to OMB, Mr. Chairman, the sequester had not gone into effect yet, so it wasn't really a part of the overall budget request to OMB.

Mr. **Natcher**. How much is it costing to absorb the 1990 Federal employee pay raise?

Mr. **Scannell**. OSHA absorbed $2,550,000 in pay raises in 1990.

INCREASES IN 1991 BUDGET

Mr. **Natcher**. Your 1991 budget request is an increase, as you know, of $20,874,000, nearly 8 percent over 1990. Are you satisfied that this budget is fully adequate for the agency?

Mr. **Scannell**. Yes, I am, sir. We have got almost $10 million for our program increases, and $10.9 million in built-in increases. Yes, I am satisfied.

Mr. **Natcher**. Were there any initiatives that you had hoped to fund in 1991 that had to be deferred another year?

Mr. **Scannell**. Not since I have been here. You know, I'm not making an excuse, but I have only been around since October. We worked through the budget and looked at the program increases that were needed for special emphasis programs, and we are satisfied that we have adequate funds to conduct our business.

Mr. **Natcher**. Are your so-called built-in increases fully provided for, or will you have to absorb some of them? And if so, how much will you have to absorb?

Mr. **Scannell**. I am going to ask Mr. Poogach to earn his money today, Mr. Chairman.

Mr. **Poogach**. We had to absorb some of the built-in increases in putting together the budget. The total package reflects what we had to absorb. Including pay and benefits, it is about $3 million or so, sir.

Mr. **Natcher**. Mr. Conte, I yield to you.

PENALTY COLLECTION

Mr. **Conte**. What did you collect in revenues and fines in 1989?

Mr. **Scannell**. The fines that were collected in—1990 or 1989?

Mr. **Conte**. 1989.

Mr. **Scannell**. 1989 was $29,547,217. That is an accumulative number, Mr. Conte.

Mr. **Conte**. And what is your total budget?

Mr. **Scannell**. $287,893,000.

Mr. **Conte**. Almost 10 percent of your budget is recovered in fines?

Mr. **Poogach**. The money does not stay in our budget, sir.

Mr. **Conte**. OSHA has received a lot of publicity over some big payments assessed on a violation-by-violation basis to a few companies. In some cases, the big fines are never fully paid.

What is the evidence that this approach has been successful in encouraging prudent safety and health practices in plants with serious problems?

Mr. **Scannell**. Mr. Conte, I also had the impression that in many cases the large penalties that were proposed were never collected. But I did look into that, and found that if we take the total penalties proposed by OSHA, we collect about 60 percent of those.

Now, that includes all penalties. With regard to large, egregious cases, if we were to remove the three cases that got the notoriety—I believe they were IBP, Empire Kosher, and Union Carbide, which go back to when the new policy of egregious penalties started—we would collect about 60 percent, maybe 65 percent of all the penalties related to large, egregious cases. But leave those three in, and it does go down to about 35 percent that we collected.

The policy and the method of negotiating with employers have changed. We are no longer accepting five, six cents on a dollar. We are really requiring a much larger percentage when we do negotiate. But to get to your point of what we are accomplishing by doing that, there are a number of things. First, if an employer contests a case, that employer need not correct any of the alleged violations, therefore, workers are continually exposed to those hazards that we have identified in the workplace. By entering into a negotiating mode, we believe that we are able to better protect the workers in that facility. In many cases, we accomplish what we call a corporate-wide agreement, providing protection for workers in other facilities, even though we have never gone into those facilities.

Now, the important thing that we have to do and we have to do it exceedingly well, is to follow up to make sure that employers have abated the hazards and have lived up to the agreement. And that is what we are doing now, I think better than we have in the past.

So, we feel confident that workers are provided better protection through this policy.

REDUCTIONS OF PENALTIES

Mr. **Conte**. When employers contest their citation, the fine is frequently reduced. What is the average reduction of fines after an employer contests the fine?

Mr. **Scannell**. When we get an agreement with them?

Mr. **Conte**. You go in and find a violation, which results in a fine. They contest the fine.

Mr. **Scannell**. Yes, sir.

Mr. **Conte**. In those cases, is the fine usually reduced?

Mr. **Scannell**. Not unless we get an agreement to abate the hazard. Then we also get an agreement to do more than abate the hazard to implement comprehensive health and safety programs beyond what the Occupational Safety and Health Act requires. Then we will reduce the penalty. But the reduction now, sir, is a lot less than it was. Back, as I said, in those three major cases, there were significant reductions, but no longer.

Mr. **Conte**. Civil penalties under OSHA have not changed since its inception in 1970. Have you looked into that?

Mr. **Scannell**. Yes, I have. There is a task force now that will be presenting me with options to modify the civil penalties that we have in the schedule published in our field operations manual, and my expectation is that we will come up with a system for increasing the penalties. To determine how significantly, I will have to wait for the options on that, sir.

CRIMINAL CASES

Mr. **Conte**. In the past, OSHA has put little emphasis on criminal prosecutions. How many OSHA-related cases have been prosecuted by the Department of Justice?

Mr. **Scannell**. Well, 57 cases as of last week, and we have had 17 indictments.

Mr. **Conte**. Over what period of time?

Mr. **Scannell**. Since 1971, sir.

EMPHASIS ON CONSTRUCTION

Mr. **Conte**. Changes in OSHA's Office of Construction, Maritime and Health Engineering were recently announced. You are also talking about creating a separate branch of construction training at your Training Institute outside of Chicago. What do you hope to accomplish by those changes?

Mr. **Scannell**. Well, I am hoping to accomplish a reduction in fatalities and injuries and illnesses in the construction industry. By adding 12 positions in the national office in construction, we will have the capability of assisting our 80 area offices to respond to disasters that occur around the country, such as the crane collapse in San Francisco last October, and that major disaster down in Pasadena, Texas when the Phillips Petroleum chemical complex caught fire and exploded, where 23 were killed and 100 were injured.

It will provide us with the capability and the resources to determine what is needed in the area of regulations. What we need to communicate to the employers and the employees in the country is what needs to be done in construction safety. We are not going to be able to write regulations and standards rapidly. We have got what we think is a streamlined system to do that, but the system is inherently slow, and that is due process, and I believe in that.

With the additional branch in the Training Institute in Chicago, we will be able to offer more basic, intermediate and advanced construction courses, not only to OSHA compliance officers, but to organized labor, business and industry, and state organizations. We hope to have a much more effective force in the area of construction safety.

FATALITY REPORTING

Mr. CONTE. Whenever there is a fatality, do you conduct an inspection?

Mr. SCANNELL. Fatalities are supposed to be reported to us within 48 hours. Incidentally, Mr. Conte, as I mentioned to Senator Dodd in the oversight hearing last year, why should we wait for 48 hours to have a fatality reported? I think they should be reported sooner, and we haven't decided on what it should be. We have asked our construction safety advisory committee for advice on this, and we will also ask our national advisory committee for advice.

But to your point, yes, fatalities are reported. But sir, I think that you had to leave for a moment. I mentioned in my statement that we are underreporting fatalities in this country by 40 to 60 percent. This is unbelievable.

Mr. CONTE. That is.

Mr. SCANNELL. And we are trying to move on that, and that is one reason for the additional resources for BLS, to try to come up with a system that will give accurate fatality reports as well as better injury and illness statistics. That way we can focus our resources, and then we can pass that on to employers and employees so they can focus their programs on it. We don't go out and investigate every fatality, Mr. Conte. We wish we could. We make a quick assessment to see if we need to go out there, and if there is a need, then we do try to investigate those that are absolutely essential to investigate.

Mr. CONTE. Well, it is important not only for you to see whether there has been negligence on somebody's part, but also to impose standards later on to prevent other tragedies.

Mr. SCANNELL. Yes, sir.

INTERAGENCY LIAISON

Mr. CONTE. In addition to OSHA, there are other Federal agencies who are charged to protect workers from injuries. How does OSHA work with these other agencies?

Mr. SCANNELL. I think we are working very well, thanks to Cindy Douglass, Deputy Assistant Secretary. She has taken the initiative to contact those Federal agencies. For example, the Department of Energy has weapons production facilities. There is some legislation suggesting that those government-owned, contractor-operated locations and facilities should be under the responsibility of the Occupational Safety and Health Administration. We have provided some help—what we called a tiger team. I think that was coined by Admiral Watkins, the Secretary of Energy.

Mr. CONTE. Right.

Mr. SCANNELL. We had provided help by assigning senior compliance officers to assist in assessing the conditions in the Department of Energy. We did that at three facilities. Since this was rather resource-intensive, we suggested to the Department of Energy that we don't think we should participate directly with the tiger teams. Instead, we think that we have the resources in OSHA to make a comprehensive assessment of the Department of Energy's health and safety program for their own employees, as well as for their government-owned contractor-operated facilities. We will turn that report over to Secretary of Energy Watkins, and let him administer it as we have recommended. We think that is the appropriate way to go. We have worked with the Department of Defense trying to ensure that the workers within that Department, both civilian and military, are being properly protected, and that they are complying with the executive order and the regulations that we are promulgating for Federal workers.

So we are working, I believe, a lot more closely with other Federal agencies that have responsibility for worker safety than we have in the past.

Mr. CONTE. How about EPA? They tell OSHA, that certain hazardous substances should be regulated and others should not. How many referrals has EPA sent to OSHA in the past decade?

Mr. SCANNELL. Well, I think that was under TOSCA. That is an EPA law. I think there have been three formal referrals, and four informal referrals. What is the difference? When a formal referral is made to OSHA, we have to make a decision whether we are going to regulate it or not. Then we give it back to EPA and they consider banning that substance. Formaldehyde was one that was referred to us as informal, and we took some regulatory action. We are working on these substances now that they have referred to us. to us.

So in short, the answer is we have had seven referrals, three formal, four informal.

Mr. CONTE. And how many have been regulated?

Mr. SCANNELL. Well, let's see. Formaldehyde has been regulated. We are working on three others, and I am going to let another gentleman here earn his pay today and ask Chuck Adkins to give a complete answer for Mr. Conte.

Mr. ADKINS. The three that we are working on, methylenedianiline, butadiene, and methylene chloride, are all in the regulatory process now. Formaldehyde we have completed. For the other three, paradichlorobenzene being one, we have not initiated any regulations. However, that was covered in our PEL project that we completed a year ago, in which we updated all the permissible exposure limits. The same holds true with PVA, which is an analine. That was covered in the PEL project, and we don't anticipate at this point doing any more regulation there. The fourth one of those informal referrals is not one for which we have determined that any activity is justified at this point in time.

Mr. CONTE. Mr. Chairman.

AGENCY PERSONNEL

Mr. NATCHER. Mr. Scannell, as I understand now, the total amount that you are requesting for OSHA is $287,893,000 for 1991.

Mr. SCANNELL. Yes, sir.

Mr. NATCHER. You have a total of 2,459 employees; is that correct?

Mr. SCANNELL. Yes, sir. We are currently authorized 2,425 employees with a requested increase of 34 for 1991.

Mr. NATCHER. Do you utilize occupational health nurses on your policymaking staff in OSHA?

Mr. SCANNELL. Mr. Chairman, the answer is yes, but we only have one occupational health nurse on staff at this time. We have some internships, and we are looking forward to adding additional medical professionals, including several nurses, under our red meat ergonomics initiative, sir.

Mr. NATCHER. One at this point in time?

Mr. SCANNELL. Yes, sir.

Mr. NATCHER. Yes. To whom in the agency does this person report?

Mr. SCANNELL. She reports to the Director of Technical Support.

TARGETED ENFORCEMENT INITIATIVE

Mr. NATCHER. Now, you are requesting $2,700,000 and 34 full-time employees for a targeted enforcement initiative. Explain, if you will, the rationale for this, just a little more in detail. What do we have, Mr. Scannell?

Mr. SCANNELL. Mr. Chairman, the red meat industry has been identified as a high-hazard industry. By that I mean employees suffer what we call cumulative trauma disorders, because of the butchering process, which involves knives and fast, repetitive motions. These hazards have been identified through enforcement efforts of OSHA.

The industry has entered into an agreement with OSHA to organize what we call a red meat initiative to try to reduce ergonomic injuries. Initially we will be using the 34 FTEs to address that industry, to try to make an impact and assist that industry in coming into compliance with ergonomics guidelines.

I say guidelines, Mr. Chairman, because we don't have standards for cumulative trauma disorders. That industry has volunteered to help us in putting together these guidelines, and in fact the guidelines are complete. We are just waiting for some final touches on those.

After that, we hope we can act rapidly, in getting the red meat industry in compliance with those guidelines. Then we will be moving into general industry across the nation, Mr. Chairman, to attack the cumulative trauma disorders that affect virtually every workplace in our nation.

Mr. NATCHER. Mr. Scannell, is this strictly for the meat packing industry?

Mr. SCANNELL. Yes, sir, just initially. As I said, as soon as we are able to get that industry in compliance with the guidelines, then we will move into general industry, because it is a problem in all industries, in every workplace.

Mr. NATCHER. Now, Mr. Scannell, do we understand correctly from page 19 of the justification that you plan to spend $1,913,000 for three inspections of meat packing facilities; is that correct? Page 19 of your justifications.

Just for three now; is that correct?

Mr. SCANNELL. Three comprehensive inspections.

Mr. NATCHER. What do you mean by comprehensive? You have $1,913,000. What do you mean by that, Mr. Scannell?

Mr. SCANNELL. I am going to let someone else earn his pay today. Mr. McMillan?

Mr. MCMILLAN. Mr. Chairman, yes, there are only three in fiscal year 1991. These are not typical inspections at all, but team inspections targeted towards those plants, those large corporate entities in the meat packing industry that have more than 300, perhaps approaching 1000 employees.

It will involve training these team members and bringing them together, for on-site activity. We have already learned from experience in the few large meat packing plants where we have been that this will probably take as many as three months of on-site activity.

So the number may sound small in terms of three inspections, but they will cover maybe as many as 2500 to 3000 workers, and will have an effect that we think will be positive for the entire industry.

Mr. NATCHER. If this money were spent in the traditional enforcement program instead, how many additional inspections could be done?

Mr. SCANNELL. The information I have is 1400, Mr. Chairman.

Mr. NATCHER. 1400. For the record, provide a detailed breakdown of the $2,700,000 increase for targeted enforcement if you will, please.

Mr. SCANNELL. Yes, sir.

[The information follows:]

TARGETED PROGRAM INITIATIVE

OSHA's budget increase request of $2,700,000 and 34 FTE is intended to implement a targeted program that will focus agency resources on significant workplace problems. The request includes $1,913,000 and 27 FTE for the enforcement activity and $787,000 and 7 FTE for the technical support activity.

OSHA is planning a national special emphasis program in ergonomics directed initially at large meat-packing plants. This program will be based on a combination of enforcement, cooperative programs, training, information, and research which will allow the agency to systematically address the hazards in this industry. The additional resources requested for the enforcement activity will support the successful implementation of these initiatives without adversely impacting ongoing program efforts. Without these additional resources, the agency estimates that the effort involved in the emphasis on the meat-packing industry would reduce the number of other inspections that OSHA could conduct by approximately 1,400 inspections.

Additional resources requested for the technical support activity are needed to expand the agency's technical capacity to support the ergonomics program and to increase the medical support staff for this and other targeted program emphases. The request will allow OSHA to secure necessary technical expertise to develop new enforcement and consultation strategies in ergonomics. Additional staff support for the medical program will enable the agency to focus on new and emerging health issues, particularly those associated with biological hazards such as bloodborne pathogens.

Following is a breakdown by object class of the $2,700,000 requested:

11—Personnel compensation	$1,146,000
12—Personnel benefits	192,000
21—Travel	162,000
23—Rent and other communications	162,000
24—Printing	125,000
25—Other services	760,000
26—Supplies	33,000
31—Equipment	120,000
Total	$2,700,000

Mr. NATCHER. Mr. Scannell, we want to thank you and your associates for appearing before our committee at this time on your budget request for fiscal year 1991. It has been a good hearing.

Mr. SCANNELL. Mr. Chairman, thank you for your kind considerations.

[The following questions were submitted to be answered for the record and the justifications follow:]

OCCUPATIONAL SAFETY AND HEALTH STATISTICS

Mr. Natcher. We note on page 29 that the number of reported occupational illnesses and injuries went up by 6.7 percent from 1987 to 1988 and that the rate per 100 full-time workers also increases. What could account for this in your opinion?

Mr. Scannell. Both OSHA and the BLS believe that the increase results largely from better recordkeeping and reporting of occupational injuries and illnesses by employers. The increase closely parallels OSHA's recent emphasis on accurate recordkeeping and the agency's targeting of cumulative trauma disorders for increased enforcement. Given these agency initiatives, it was not unexpected that the injury and illness rates would rise in 1988. We believe that the most recent rates more accurately portray the extent of injuries and illnesses in the nation's workplaces. As OSHA's recordkeeping emphasis continues and employers more accurately report all recordable accidents and injuries, a general increase in reported occupational injuries and illnesses may also be reflected for some time.

Mr. Natcher. How many on-the-job fatalities occurred in 1988?

Mr. Scannell. There were 3,300 work-related fatalities in private sector establishments with eleven or more employees reported to BLS in its 1988 survey.

Mr. Natcher. How did that compare with 1987?

Mr. Scannell. There were 3,400 work-related fatalities in private sector establishments with eleven or more employees reported to BLS in its 1987 survey.

INCREASE FOR SAFETY AND HEALTH STATISTICS

Mr. Natcher. You're asking for a $4,000,000 increase for safety and health statistics. Why is this increase necessary?

Mr. Scannell. The increase will be used for two purposes; to improve the quality and type of data OSHA collects from employers through its annual injury and illness survey; and to improve the annual estimates of workplace fatalities. The 1986 National Academy of Sciences Report of Occupational Safety and Health Statistics strongly urged that these improvements be made, and OSHA's own recent enforcement actions have highlighted the fact that a significant underreporting of work-related injuries is occurring under the present system. This increase will help overcome the underreporting of workplace fatalities which is a serious problem.

Mr. Natcher. How was this amount arrived at? Was it just a nice round number?

Mr. Scannell. The Bureau of Labor Statistics initiated the redesign of its occupational safety and health statistics program in 1990. The request for an additional $4,000,000 in FY 1991 represents estimated costs for 1991 to achieve three significant enhancements to last year's redesign efforts. BLS is proposing to begin the development of a work-related fatal injury data system. This system will require the collection of death certificates, medical examiner records, workers' compensation claims, and traffic fatality reports; matching the records across data sources; verifying the work relationship, industry and occupation of the worker; and compiling a data base on fatally injured workers and the circumstances of the fatal event. To assist in this effort, it is estimated that an additional $1,200,000 for BLS state grants will be needed.

A second aspect of the request involves additional funding of $2,000,000 for these same BLS state grants. In FY 1989, pilot tests were undertaken in 12 states to investigate different collection techniques for the requested worker and case characteristic data and their costs. These tests have provided information on the design of the collection documents and alternative approaches for survey designs. The pilots indicate that additional resources will be needed to implement the redesign.

The current annual survey collects summary data such as total injuries/illnesses and lost workdays from 280,000 establishments. The expanded state workload generated by collecting, coding, editing, and screening worker and case characteristic data for over 1.2 million injury and illness cases from 250,000 establishments (BLS will collect another 30,000 establishments), requires additional resources. These additional resources will enable 35 states to maintain a computer environment; support the collection and coding of worker and case characteristic data; electronically transmit these data to BLS; maintain the current sample size; and expand the statistical follow-back to sampled establishments.

Finally, the request includes $800,000 to augment reimbursable funding provided to BLS to support their staff and efforts devoted to the redesign. The work-related fatal injury data system is a major expansion and requires the development of collection procedures, and computer and systems designs. BLS will have to negotiate agreements with State vital records agencies, State workers' compensation agencies, and other sources of fatality data to obtain data for all injury cases nationwide for calendar year 1992 and beyond.

The survey redesign's plan calls for the implementation of sample and collection procedures for the 15 non-participating states to achieve nationwide estimates. While the pilots have indicated how to accomplish these tasks more effectively, they have also provided higher estimates of the funding needed to complete these tasks.

Mr. Natcher. For the record, provide more detail as to how the amount was calculated.

Mr. Scannell. OSHA and BLS worked together to develop the budget estimates included as part of the FY 1991 budget request. The following chart represents the major components making up the $4.0

million request. The FTE required by BLS, though listed below, are not part of OSHA's budget submission. Instead, they are contained in the BLS budget request.

Functions	Dollars (in thousands)	FTE
BLS data collection staff--for 15 non-participating States--will be hired and trained in statistical and computer procedures; field coordination and training for 35 participating States.	$ 183	4
Systems development for Redesigned program and the Fatal Occupational Injury data system.	184	3
Development of sampling and survey design methods for the National and State Redesigned program; and development of the survey design for the fatal occupational injury data system.	48	1
Development of quality management procedures including quality assessment recontacts and research on additional or alternative sources of data and survey measurement techniques; development of occupational fatality injury data system procedures for the nation and the States; and development of special epidemiological surveys, e.g., injury and illness due to inhalation.	191	2
Hiring and training of BLS staff to assign codes to 325,000 injury and illness cases collected by BLS staff; statistical review of 1.2 million injury and illness cases to produce national and State estimates; development of procedures to implement special epidemiological studies, e.g., injury and illness due to inhalation; supporting OSHA's standards development; development, maintenance and employer assistance on recordkeeping guidelines.	128	3
Support functions.	66	0
Subtotal BLS Resources	$ 800	13
State grant implementation of redesign.	$2,000	--
State grant implementation of Fatal Injury Data System.	1,200	--
Subtotal State Grant Resources	$3,200	--
Total FY 1991 Program Request	$4,000	13

INCREASE FOR COMPUTER EQUIPMENT

Mr. Natcher. You're also seeking an increase of $3,228,000 to replace computer equipment in your field offices. Why is this necessary at this time?

Mr. Scannell. In April 1984, OSHA upgraded its data processing environment from a batch and mail operation which handled 475,000 line items of data per month to an Integrated Management Information System (IMIS) which utilized multi-user microcomputers in all of its field offices. The success of this program encouraged the 18(b) states and the consultation projects to join the IMIS and the system was expanded to include the new technology in these program areas.

In 1987, OSHA recognized that the larger field offices in both the Federal program and the 18(b) states required additional capacity to address limitations in processing speeds, data storage, and terminal accessibility. These limitations, coupled with increased program demands, led OSHA to obtain approval for 75 larger systems which were capable of addressing these limitations. The Delegation of Procurement Authority (DPA) granted by the General Services Administration for the 75 systems was conditional upon OSHA replacing the 75 systems plus the original systems through full and open competition within a period of two years.

The FY 1991 budget request of $3,228,000 is the first of what is envisioned as a three-year plan to replace current Altos microcomputer equipment with a multiuser UNIX system which will satisfy GSA requirements for updated equipment in all Federal offices and all state plan and consultation programs. By 1991, the current equipment obtained in 1984 will be eight years old, while supplementary equipment obtained in 1988 will be four years old. Given these ages, and the rapid changes in the computer industry, maintenance of the equipment will become virtually impossible because of a lack of replacement components. Since the IMIS is central to OSHA's data needs for its enforcement program as well as the overall management of the agency, it is critical that this proposed equipment replacement begin as soon as possible.

NUMBER OF FIELD OFFICES

Mr. Natcher. How many field offices do you have?

Mr. Scannell. OSHA currently has 80 area and district offices in addition to its 10 regional offices.

COMPUTER REPLACEMENT ESTIMATES

Mr. Natcher. For the record, provide more details on how this figure was arrived at.

Mr. Scannell. In preparing the budget request, OSHA had extensive conversations with OMB to determine a reasonable and practicable timetable for implementing these necessary computer replacements in OSHA's field offices and state plan and consultation programs. During the first year, OSHA proposes to focus on several major tasks including major software modifications, preparation of programmer and user documentation, and the development of a user training capacity. Cost and time estimates for these tasks were based upon OSHA's past experience. Systems costs were based upon current costs of the standard individual configuration envisioned. The fact that the system builds upon current investments in hardware, software and personnel experiences minimizes the installation, programming and training costs.

The following represents the object class breakdown of the request for $3,228,000.

25-Other services	$1,390,000
26-Supplies	513,000
31-Equipment	1,325,000
TOTAL	$3,228,000

Mr. Natcher. What would happen if the Committee decided to defer this request for a year?

Mr. Scannell. This request is essential to the agency's ability to meet its commitment to worker safety and health. Without an operating and efficient data system, the agency's program effectiveness and credibility suffer. This request identifies a critical replacement need that should be addressed as soon as possible. Delaying the requested increase for a year could lead to a breakdown in agency data information and processing which would adversely affect OSHA's entire operation. It would be most prudent to begin this replacement in 1991.

STATE GRANT FUNDING

Mr. Natcher. You're requesting $62,220,000 for state programs, an increase of about 4 percent. How would you plan to distribute this increase among the states?

Mr. Scannell. The FY 1991 request of $62,220,000 for state plan grants includes a four percent cost-of-living increase of $2,393,000 above the FY 1990 level. Cost-of-living adjustments are distributed to all of the states on an equal percentage basis.

Mr. Natcher. How did you distribute the 1990 increase among the states?

Mr. Scannell. In 1990, state grants received a cost-of-living increase of $793,000 above 1989 levels which was distributed to all states on an equal basis. An additional $2,500,000 for state grants was distributed on the basis of OSHA's state grant funding formula. Utilizing the funding formula, 50 percent of the $2.5 million was distributed among all the states according to each state's funding factor. The funding factor represents that proportion of total Federal grant funds that each state should receive based on its worker population and the hazardousness of its industries. The remaining 50 percent was distributed only to those states which were determined to be below parity with other states in the program. In FY 1990, 12 states were identified as being below parity based on their recalculated funding factors. California was not considered in this process since funding for that program was separately considered by the Congress.

FUNDING PARITY

Mr. Natcher. At this rate, how long will it take to achieve what you call "funding parity" among the State programs?

Mr. Scannell. Since cost-of-living increases are not intended to address this issue, the FY 1991 increase does not further the achievement of funding equity. If the agency's budget were annually to include, as it did in 1990, $2,500,000 more than the amount provided for cost-of-living increases, funding parity could still not be readily achieved. At this rate of increase, holding present circumstances constant, funding parity could virtually be achieved in 65 years.

STATE PROGRAMS MONITORING AND EVALUATION

Mr. Natcher. What changes are you planning in your State program monitoring and evaluation system?

Mr. Scannell. We are undertaking a comprehensive revision of our system for monitoring and evaluating state programs. An agency steering committee has developed a proposed framework for the revision. We have asked the states to comment on the proposed framework, and federal-state task groups will be meeting in the next few months to address specific areas in need of revision.

OSHA's state plan monitoring effort will continue to build on our computer-based Integrated Management Information System (IMIS) with universal data on state and federal program performance, and will continue to rely on comparisons between federal and state experience wherever appropriate. However, the current measures used for comparison will be revised to eliminate inappropriate measures and simplify remaining measures; more closely parallel federal evaluation factors; incorporate established federal performance requirements where possible; and, incorporate specific goals established in each state's annual section 23(g) grant application. In addition, the revision will require that some on-site activity (visits to the state to review documents or research specific issues) occur during each annual evaluation period. A third major area of revision will be a requirement for states to conduct audits of their own programs, with federal review of the results.

It is expected that the entire revision will be completed in 1992.

OSHA COMPLIANCE OFFICERS

Mr. Natcher. How many Federal compliance officers are now on-board?

Mr. Scannell. As of the last reporting period in February, OSHA had 1,092 compliance officers on-board.

Mr. Natcher. How many more will you hire between now and September 30th?

Mr. Scannell. The agency is authorized 1,268 compliance officers in 1990. We fully expect to fill all of these positions by the end of the fiscal year.

Mr. Natcher. How many compliance officers are you budgeting for in 1991?

Mr. Scannell. In FY 1991, OSHA is budgeting 1,290 compliance officers.

Mr. Natcher. How does it break down between health and safety?

Mr. Scannell. OSHA is projecting authorized totals of 738 safety inspectors, 497 industrial hygienists, and 55 11(c) investigators.

Mr. Natcher. How much turnover do you have among your compliance officers?

Mr. Scannell. In FY 1989, we experienced 18.8 percent turnover among our health compliance officers, 11.6 percent turnover among our safety inspectors, and 12.0 percent turnover among our 11(c) investigators. Overall, this reflects a turnover rate among our compliance officers of 14.5 percent.

INDUSTRIAL HYGIENIST PAY

Mr. Natcher. On page 6 you show an increase of $913,000 for special salary rates for industrial hygienists. Do you have a special pay schedule for these people?

Mr. Scanneil. Yes. The Department of Labor is among sixteen Federal agencies covered by an OPM-approved special salary rate schedule for industrial hygienists. The schedule which went into effect in December 1989, covers industrial hygienists nationwide at grades GS-5 through GS-12.

Mr. Natcher. How much difficulty do you have in recruiting and retaining them?

Mr. Scannell. The Federal government has typically had difficulties in recruiting and retaining special skills employees, particularly when they are also in demand in the private sector as is the case with industrial hygienists. While we have made extensive recruiting efforts to hire industrial hygienists, Departmental data indicates that we only have been able to hire candidates for approximately 50 percent of the industrial hygienist jobs announced. Further, recent data indicates that OSHA's quit/transfer turnover rate for all of its industrial hygienists is nearly 16 percent. It is estimated that over three-fourths of these separations may be attributable to the salary differential between Federal salaries and those offered elsewhere. Though we devote considerable attention to this matter, it continues to pose a problem for the agency which we hope will be somewhat alleviated by the special salary rate.

COMPLIANCE OFFICER PERFORMANCE

Mr. Natcher. How do you evaluate the performance each year of individual compliance officers?

Mr. Scannell. Compliance officers are evaluated in much the same way as other employees in OSHA. Each compliance officer receives performance standards by his/her supervisor at the beginning of an appraisal period. These standards set performance levels for the critical and non-critical elements of the position. Each employee is appraised at least once a year, no later than the anniversary date of a within-grade increase. The proposed appraisal must be discussed face-to-face with the employee to avoid misunderstandings and possible inaccuracies. Any changes must be discussed with the employee before forwarding the appraisal to the designated reviewing official. A copy of the appraisal is furnished to the employee. The employee has the right to comment in writing on the content of the rating and the procedures used to determine the rating.

Mr Natcher. Are they expected to make a certain number of inspections each month?

Mr. Scannell. No, OSHA compliance staff are not assigned a quota of inspections each month.

CITATIONS AND PENALTIES

Mr. Natcher. For the record, please update the chart on page 1069 of last year's hearing volume concerning citations and penalties.

Mr. Scannell. The following chart provides penalty information for fiscal years 1987 through 1989.

	1987	1988	1989
Number of inspections with citations.................	38,245	39,970	41,630
Number of cases for which penalties were assessed...	19,453	21,928	29,745
Dollar amount of penalties assessed..................	$21,247,999	$40,765,770	$42,740,635
Dollar amount of penalties collected.................	$10,116,801	$18,427,616	$29,547,217
Dollar amount of penalties in contest at end of the fiscal year...............	$16,516,533	$35,688,595	$44,410,843
Average penalty amount by type of violation:			
Serious................	$230.00	$261.00	$265.00
Willful................	23,978.00	20,291.00	11,021.00

Repeat	467.00	664.00	659.00
Other	1.15	1.60	2.29
Failure to Abate	846.00	1,029.00	1,907.00
Percent of violations by type:			
Serious	27.0%	35.0%	46.1%
Willful	.4	.8	1.3
Repeat	2.6	2.7	2.5
Other	68.7	60.1	48.7
Failure to abate	1.3	1.4	1.4

CONTEST RATE

Mr. Natcher. What was the contest rate of OSHA citations in 1989?

Mr. Scannell. In FY 1989 the contest rate was 8.1 percent.

Mr. Natcher. We understand that the rate has been increasing. Do you know why?

Mr. Scannell. While the current contest rate is far below the rate experienced during the late 70's and early 80's, it nevertheless has increased somewhat since the low point of recent years. There are several possible explanations for this occurrence. OSHA has better and more extensive standards now than we did several years ago. Furthermore, we have given our field supervisors more stringent guidelines on settling cases informally. Though we have not reached the level of success that we want, we have made significant improvements in targeting those workplaces that need our oversight. As a direct result of better targeting, our percentage of serious hazards cited has increased as has the corresponding amount of our penalties. Together these factors have likely contributed to the slightly increased contest rate.

NEW SAFETY AND HEALTH STANDARDS

Mr. Natcher. How many new safety and health standards were issued in final form last year?

Mr. Scannell. In FY 1989 OSHA promulgated four final safety and two final health standards.

Mr. Natcher. Provide a list of those for the record and also indicate which major ones are currently being worked on.

Mr. Scannell. In FY 1989 final safety standards included control of hazardous energy sources; waste-site operations; powered platforms; and underground construction (tunnels and shafts). Final health standards included lead (new coverage) and the Permissible Exposure Limits (PELs).

In FY 1990, we plan to publish proposals for 13 safety standards and seven health regulations. In addition, we anticipate publication of four final safety standards and five health standards. These final rules will include electrical safe work practices; excavations; welding; and access and egress. Health regulations will include methods of compliance; 4,4-Methylenedianiline; modifications to the hazard communication standard; toxic substances in laboratories; and certain asbestos (remand) issues based on the 1986 record.

In FY 1991, we plan to publish proposals for four safety standards and five health regulations. In addition, we anticipate publication of eight final safety standards and six final health standards. These final rules will include electric power generation; logging; confined spaces; motor vehicles (seat belts/training); certification of hazardous waste-site training; lift-slab construction; stairways and ladders; and scaffolds. Health regulations will include non-asbestiforms; 1,3-butadiene; respiratory protection; bloodborne diseases (health-care workers); formaldehyde; and asbestos (remand).

METHODS OF COMPLIANCE

Mr. Natcher. The justification talks about a "generic health standard for methods of compliance." What do you have in mind here?

Mr. Scannell. The methods of compliance standard is intended to define more clearly OSHA's hierarchy of controls. The first preference is the engineering out of hazards from the workplace. The second preference is to control employee exposure through administrative controls such as rotation of assignment. Lastly, the standard would envision control through the use of personal protective equipment such as respirators. In establishing this hierarchy of controls, the standard would more clearly delineate when an item such as a respirator could be used by employers to reduce exposure to toxic air contaminants, thus reducing the need for unnecessary and more costly engineering controls in certain circumstances.

STANDARD FOR BLOODBORNE DISEASES

Mr. Natcher. What is the status of your proposed standard for bloodborne diseases such as AIDS and hepatitis B?

Mr. Scannell. The proposed standard was published on May 30, 1989. Public hearings were held in five cities around the country; the last hearing in San Francisco ended on January 17, 1990. The posthearing comment period will end on May 21, 1990. OSHA has conducted two surveys to determine current compliance in hospitals and nonhospital settings (e.g., nursing homes, dental offices, clinics and funeral homes). The results of these surveys will be available by April 13, 1990 with final public comments due by May 21, 1990.

ENFORCEMENT OF THE HAZARD COMMUNICATION STANDARD

Mr. Natcher. What kind of progress have you made in enforcing the hazard communication standard?

Mr. Scannell. We have increased our emphasis on the enforcement of the hazard communication standard (HCS). In fact, since the expansion of this standard in March 1989 to cover all industries, a review of an employer's hazard communication program has become a generic component of the inspection process. This change in emphasis has yielded definite improvements in compliance with the standard.

The standard became effective for the manufacturing sector in May of 1986, and was expanded in 1987 to be applicable to all industries as of 1988. Program inspections in the construction industry began in March 1989. Approximately 6,000 HCS violations were issued in 1986 for all repeat, serious, willful and other violations. Data compiled through September 1989 shows over 25,000 violations cited that fiscal year alone. Written program and training requirement deficiencies continue to be among the most frequently cited violations, while violations for material safety data sheets (availability, accuracy, and employee accessibility) have declined. Overall in-compliance rates for the manufacturing and construction industries (based on March-September, 1989 data) show approximately 65% of all employers inspected are in compliance with all provisions of the HCS. In addition, the number of serious, willful and repeat citations issued where violations have been found has increased, while the number of other-than-serious citations issued has decreased.

NEW DIRECTIONS AND TARGETED TRAINING GRANTS

Mr. Natcher. What do you mean by a "targeted training grant," and how does it differ from a New Directions grant?

Mr. Scannell. Both the Targeted Training Program and New Directions address issues of safety and health education for employees and _employers. Targeted training grants will provide funding to a larger variety of nonprofit organizations. These grants will provide greater flexibility in responding to external needs for training in new standards and specialized areas for both employees and employers.

The Targeted Training Program will differ from New Directions in two significant ways. First, New Directions grants are intended to establish permanent safety and health education components in participating organizations. Targeted training grants are intended to provide short-term training to employees and/or employers in areas of current national concern to OSHA, such as hazard communication for small businesses. In this regard, the Targeted Training Program is intended to be more responsive to changing occupational safety and health priorities. Second, while New Directions grants usually last four or five years, targeted training grants will be for one or two years.

Mr. Natcher. Are you phasing out the New Directions grants?

Mr. Scannell. Many large national organizations have already established safety and health education programs under New Directions, underscoring the success of that program. While current New Directions grantees will continue to be supported through the end of their grant periods, we believe that we can better address the current concerns for training opportunities through the Targeted Training Program. This new training and education program will provide greater flexibility and responsiveness by supporting shorter term projects that address changing priorities of OSHA.

CONTINGENT WORKERS

Mr. Conte. Concerns have been raised that the increase in "contingent" workers will make it more difficult to enforce OSHA standards. How do the fatality and injury rates for part-time workers compare to their full-time counterparts?

Mr. Scannell. OSHA has no readily available statistics about the work injury or fatality experience of these workers. Our principal source for this type of data, the Annual Survey of Occupational Injuries and Illnesses, conducted by the Bureau of Labor Statistics (BLS), collects data by industry classification codes, not by type of worker. To get a more accurate picture of how contractor employees are used, OSHA is at present conducting a limited study of the use of contractor services in the petrochemical industry. OSHA expects the study to be completed by the end of this summer, but will be receiving the preliminary findings by the end of April. We will be happy to share the results with the Committee.

NEW SAFETY AND HEALTH STANDARDS

Mr. Conte. Mr. Scannell in 1990 OSHA plans to promulgate and propose many new standards for safety and health. What will the standards cover?

Mr. Scannell. We plan to propose safety standards for process safety management for highly hazardous chemicals; walking and working surfaces; personal fall protection equipment; steel erection safety; certification of hazardous waste operations training programs; motor vehicle safety involving seatbelts and driver training; welding involving cutting and heating; longshoring; and five subparts of the shipyard employment standard. We anticipate issuing final rules for electric safe work practices; excavations; welding; and access and egress.

In the area of health regulation, we are planning to propose standards for 1,3-butadiene; cadmium; glycol ethers; methylene chloride; respiratory protection revisions; and asbestos issues under court remand. We have already issued a final standard for toxic substances in laboratories. In addition, we anticipate issuing final health standards for methods of compliance; 4,4-Methylenedianiline; modifications to the hazard communication standard and certain asbestos remand issues.

Mr. Conte. How many workers' lives will they touch?

Mr. Scannell. These new standards that address hazards in the construction industry will cover at least 5 million construction workers and those standards that address general industry workplace hazards will cover at least 24 million workers. The vehicle safety proposal may cover as many as 35 million workers as it will apply as appropriate to all affected workplaces. We further estimate that the proposed health standards will affect approximately 38 million workers.

SAFETY IN THE AGRICULTURE INDUSTRY

Mr. Conte. Agriculture related industries have one of the highest fatality rates. It is almost one and a half times greater than construction which is the next most hazardous industry. What are you doing to make the agriculture industry safer?

Mr. Scannell. OSHA is presently working with the U. S. Department of Agriculture in reaching out to land grant universities, Farm Bureaus, Granges, 4-H clubs and other groups such as the National Safety Council in furthering agriculture safety education.

The Administration would like to take a more active role in agriculture safety and health, but as you are aware, Congressional language prohibits OSHA from expending funds for activities applicable to farming operations which employ ten or fewer employees and do not maintain a temporary labor camp. This funding restriction exempts more than 98 percent of the nation's farms and least 53 percent of all farm workers from the protections of the Occupational Safety and Health Act. Elimination of the appropriations rider would allow OSHA to investigate farmworker fatalities, respond to reports of serious hazards or imminent danger, and to include all farm workers under new OSHA standards. The agency could use the findings of our accident investigations to notify the agricultural community of potential dangers and, if appropriate, develop standards to prevent additional fatalities.

STATE SAFETY AND HEALTH PROGRAMS

Mr. Conte. OSHA encourages States and territories to have their own safety and health programs. How many actually have programs?

Mr. Scannell. Twenty-five states operate occupational safety and health programs under plans approved by the Department of Labor. The Connecticut and New York programs cover only state and local government employees. The other 23 state plans provide safety and health protection for both the public and private sectors.

Mr. Conte. In April 1988 GAO recommended that OSHA establish guidelines for the states. The transition report recommended it again in November 1988. In 1989 OSHA started a review of the state programs. What is the status of that effort?

Mr. Scannell. As a result of concerns expressed in the General Accounting Office (GAO) and Office of the Inspector General (OIG) studies, as well as the Agency's own experience and concerns, we have developed a plan of action to undertake a comprehensive revision of our system for monitoring state programs.

To address GAO's recommendation that OSHA set desired performance levels for the states, we will revise the current measures used for evaluating states to incorporate established federal performance requirements where possible. In addition, current measures will be revised to eliminate inappropriate measures and simplify remaining measures; make them more closely parallel federal evaluation factors; and incorporate specific goals established in each state's annual section 23(g) grant application. The monitoring revision also will require that some on-site activity (visits to the state to review documents or research specific issues) occurs during each state's annual evaluation period. Another major element of the revision will be a requirement for states to conduct audits of their own programs, with federal review of the results.

Several federal-state task groups will be meeting in the next few months to address specific aspects of the revision. A fourth task force will begin work in the fall of this year. It is expected that the entire revision will be completed in 1992.

Mr. Conte. To what extent have the states that operate their own programs been asked to participate in this review process?

Mr. Scannell. Since initiation of the GAO and OIG studies, we have provided the opportunity for state comment on the studies and OSHA's responses to them by working with the Occupational Safety and Health State Plan Association (OSHSPA), the formal organization of states which operate their own OSHA programs. We also have asked the states for comments on the proposed general framework for revising the monitoring system.

In addition, OSHSPA has been asked to submit nominees for participation on three task forces which will address specific areas of the revision. These three subgroups will address revision of the criteria for measuring state performance (activities measures), state internal audit guidelines, and revision of the annual grant application. In addition, another subgroup will address injury-illness data needs and performance measures. Further, state comment will be sought on both the outline for revisions to the operating procedures federal monitoring staff will follow and the draft sections of the State Plan Manual which will contain these procedures before they are finalized.

EVIDENCE FOR ABATEMENT

Mr. Conte. Employers are required to notify OSHA when health and safety hazards have been corrected. What evidence do you require from employers?

Mr. Scannell. Following inspection and citation, OSHA requires employers to provide evidence of abatement of each cited item. Acceptable evidence of abatement varies with the particular violation. For example, abatement of a recordkeeping violation could be verified by submission of revised Injury and Illness Logs, while requirements for new personal protective equipment could be documented through purchase orders, invoices and receipts of the specific abatement action taken.

Mr. Conte. What action do you take if hazards aren't corrected?

Mr. Scannell. If hazards are not corrected OSHA conducts follow-up inspections to determine compliance. If conditions have not been corrected employers are cited for failure-to-abate and a new date assigned for correction. If a second follow-up inspection reveals the employer still has not corrected the original violations, a second notification of failure-to-abate the alleged violation with additional daily penalties will be issued if appropriate. If a notification of failure-to-abate alleged violations and additional daily penalties are not to be proposed, the Area Director is required to contact the Regional Administrator in writing to detail the circumstances of the case.

Mr. Conte. How many follow-up inspections did OSHA make last year?

Mr. Scannell. In FY 1989 a total of 3,284 follow-up inspections were conducted.

Mr. Conte. Do you have a limit on the number of follow-up inspections you can make?

Mr. Scannell. OSHA's policy requires that follow-up inspections be conducted in certain cases. These include all cases with willful violations, repeat or high gravity serious violations, failures to abate or citations related to imminent danger conditions and cases where the employer fails to notify the agency as to corrective action taken to abate any cited violations. Follow-up may also be initiated in any other instance when the Area Director believes that a follow-up inspection is warranted. The number of follow-up inspections (excluding monitoring inspections) normally conducted in a fiscal year is projected to be approximately 10 percent of the total number of inspections.

SAFETY AND HEALTH OF CONSTRUCTION AND AGRICULTURE WORKERS

Mr. Conte. Many construction and agriculture workers have limited proficiency with English. What is OSHA doing to protect the safety and health of these workers?

Mr. Scannell. OSHA's activities for non-English speaking employees fall in three general areas: information dissemination, enforcement, and employee training requirements. As part of our information dissemination efforts, OSHA has printed in Spanish a number of the agency's publications that are of general interest to employees. In the area of enforcement, OSHA's general inspection procedures stipulate that employee interview statements should typically be written in the language of the employee. In the case of temporary labor camp inspections, OSHA compliance officers make every effort to find a person to interpret conversations with non-English speaking employees.

Finally, a number of OSHA standards have provisions which require employers to provide training to their employees. For example, under the Hazard Communication standard, employers must establish a training and information program for employees exposed to hazardous chemicals in their work area. If such training is to be comprehensible to employees, it should be designed to accommodate the worker's language skills. OSHA has taken this into account in its recently proposed standard for occupational exposure to bloodborne pathogens, which requires employers to ensure that employees participate in training programs that are appropriate in content and vocabulary to the educational level, literacy and language background of employees.

STANDARD FOR LEAD-BASED PAINT

Mr. Stokes. Has OSHA developed standards for employers and employees who are involved in the removal of lead-based paint?

Mr. Scannell. OSHA has established Permissible Exposure Limits to protect employees in general industry from the risk associated with the occupational exposure to lead. In addition, the General Industry Standard has ancillary provisions such as medical monitoring and medical removal protection.

Mr. Stokes. What can you tell us about the hazards involved in removal of lead-based paint?

Mr. Scannell. The hazards associated with the removal of lead-based paint would be the same as that associated with any lead operation. The removal process would affect the amount of lead that is released to the worker's breathing zone, which would be the predominant factor in determining the risk. Regardless of the process, employees could not be exposed to levels above OSHA standards without the benefit of air purifying respirators. Some preliminary exposure data that we have seen indicates that the removal process generally does not generate levels of exposure above the OSHA standards. However, lead-based paint abatement projects vary in their scope and potential for exposing workers to lead. We will be consulting with HUD and NIOSH to determine the appropriate measures for protecting workers removing lead-based paints.

SAFETY IN THE CONSTRUCTION INDUSTRY

Mr. Stokes. Is the Department considering setting up a separate office within OSHA dealing with safety in the building construction industry? If so, why is this necessary?

Mr. Scannell. I have proposed a reorganization of our present Office of Construction, Maritime and Health Engineering Support to focus its efforts on improving safety and health in the construction industry. The new office will be called the Office of Construction and Engineering. We have found that construction has historically been plagued by high injury rates. The most recent data shows that the construction industry has the highest injury and illness rate of all major industries at almost double the overall industry rate. To respond to this need, we will be placing greater emphasis on training and inspections in the construction industry. This office will work with all agency components by providing construction expertise and engineering support to regulatory, enforcement and training activities. The office will also work with labor groups, trade associations, professional organizations and firms in the construction industry to provide information, educational efforts and other cooperative activities. Particular attention will be given to the many small businesses in the construction industry.

NEW INITIATIVES

Mr. Stokes. You are requesting funds to expand technical support for the ergonomics program within your targeted program initiatives. What other initiatives will you focus on? I am particularly interested in hearing more about your efforts in the area of biological hazards, such as bloodborne pathogens.

Mr. Scannell. OSHA currently has under consideration a number of other initiatives. While a number of these initiatives are still developing, we have been focusing special attention on issues in the lead industry, the health care industry (through our bloodborne pathogen standard), the chemical industry and in methodologies for better targeting and enforcement in the construction industry. Any of these areas could be the future focus for our special emphasis approach.

BLOODBORNE PATHOGENS

Mr. Stokes. What is the status of your rulemaking in the area of Bloodborne Pathogens (such as HIV)? Last year, you told us that it would become a final rule in 1990. Now, I understand that you will not publish a final rule until 1991. Why is it taking so long?

Mr. Scannell. Our schedule for publishing a final bloodborne pathogen standard is only slightly delayed. The proposed standard was published on May 30, 1989, public hearings have been held, and the public has had an opportunity to submit written comments. Our public hearings were originally scheduled to end in October. However, we scheduled additional hearings in response to numerous public requests and the San Francisco hearing scheduled for November had to be rescheduled to mid-January because of the earthquake. We are now in the post-hearing comment period, when the hearing participants have the opportunity to submit additional data to the record and make a final comment. In addition, OSHA has made the results of a survey of affected workplaces available to the public for comment. The record is expected to close at the end of May and work will begin on the drafting of the final standard. The public response is the second largest in OSHA history and analysis of the record will require several months. Even though this has been one of our most complex standards with one of the most extensive records, we presently remain optimistic about meeting our current projection for a final standard by January 1991.

Mr. Stokes. I know that many dentists are concerned about this rule because of the cost impact. I am sure you have heard from them. Are you considering their concerns in the development of your final rule?

Mr. Scannell. We are aware of the concerns of the dentists and are communicating with them through individuals and through their association in an attempt to be responsive to these concerns. The vast majority of individuals involved in general dentistry (not those involved in oral surgery or the treatment of traumatic injuries) should not be required by this standard to incur unwarranted or unusual costs beyond those universal precautions currently recommended by the Centers for Disease Control and the American Dental Association.

Mr. Stokes. How much information do you have on drug abuse in the workplace?

Mr. Scannell. In January of this year, the Bureau of Labor Statistics released the findings of its Survey of Employer Anti-Drug Abuse Programs. This was the first comprehensive, scientifically collected information on anti-drug efforts in private industry. The survey produced estimates of the number of private, nonagricultural establishments with drug-testing or employee assistance programs by employment size, class, major industry division, and multistate geographic region. In addition, the survey generated information on test results for both current employees and applicants. Since relatively few workers on private payrolls are actually tested for drugs, the findings from the report on drug abuse should not be generalized for the entire worker population. This is especially true since the testing that is done is typically done on those employees suspected of drug use. A copy of the BLS report will be provided to the Committee.

OSHA also conducted a limited preliminary study of drug abuse and workplace safety, which was completed in November 1989. The study's goals included: investigating the relationship between drug abuse and accidents, and quantifying the effects of workers' drug abuse. This project developed statistical models on the basis of survey results from national opinion polls conducted by the Gallop organization and the National Institute on Drug Abuse (NIDA). The report used these models to estimate drug usage in five industrial plants and compared these estimates to corporate data from Employee Assistance Programs (EAP) where possible.

Another section of the project used a "case control" methodology to compare accident rates between known drug abusers and other employees in the same plant. Each drug abuser was matched with two other employees (not suspected of drug abuse) based on occupation, current job, date, age, sex, race, marital status, and educational level. With this method, any differences in accident rates could, with a reasonable degree of confidence, be attributed to substance use.

We believe the two surveys were not broad enough to accurately reflect drug usage by working adults. However, the results from the case control method point toward the need for further investigation on a larger scale to properly estimate the impact of drugs on occupational safety.

Mr. Stokes. How serious a problem is it? Will you be collecting additional data in this area?

Mr. Scannell. Data indicates that the problem of workplace drug abuse is indeed serious. The National Institute of Drug Abuse (NIDA) estimates that 70 percent of drug users are employed either full-time or part-time. Drug abuse affects the workplace in many different ways including increased absenteeism, accidents, health benefits costs, and workers compensation claims. The Department is exploring various ways in which additional data in this area can be collected.

Based on the limited studies previously described, the NIDA preliminary data indicate that 47 percent of the working adults have tried marijuana, 18 percent cocaine, 10 percent other illicit drugs and 20 percent prescription drugs recreationally. The Gallop poll showed that between 33.8 percent and 39.1 percent of working adults have tried marijuana, and between 13.2 percent and 18.7 percent have tried cocaine. The case control method, in this very limited sample, showed that substance users have approximately 1.5 to 2.5 times the number of total occupational injuries and illness compared to non-substance abusers.

Due to the mutual interest in the preliminary study, OSHA and NIDA are planning to fund a larger project which will investigate drug abuse and accidents in more companies using the case control method. This new project should provide both agencies with information about more companies in various industries.

STANDARD FOR BLOODBORNE PATHOGENS

Mr. Dwyer. How many health care workers are infected yearly with Hepatitis B and HIV? Could you break down these numbers by institutional setting: hospital, dentist's office, etc.

Mr. Scannell. Approximately 18,000 health care workers are infected with hepatitis B each year. Of these, 12,000 are infected as the result of occupational exposure. We do not have an estimate of the number of health care workers who are infected with HIV, but more than 25 cases of infection have been reported worldwide in the literature, and the actual number is probably higher.

Mr. Dwyer. In 1989, I received a number of letters from doctors and dentists who believed that the standard was designed for a larger institution, and would not be practical or affordable in a small office. Have any changes to the standard been made to accommodate the concerns of these health care practitioners?

Mr. Scannell. We are aware of the concerns of doctors and dentists and are communicating with them in an attempt to be responsive to these concerns. The standard was not designed for large institutions; rather it was specifically designed to accommodate any workplace where blood exposure may take place. Since the proposal was published, OSHA has received more than 2,800 comments. The final standard will be based on an analysis of this and other information in the docket and may differ from the proposal.

Mr. Dwyer. How will OSHA monitor compliance with the standard?

Mr. Scannell. When the final rule on occupational exposure to bloodborne hazards becomes effective, OSHA will generally monitor employer compliance with the standard in the same manner we monitor compliance with all other standards. This includes inspections of facilities which result from formal complaints, programmed general schedule inspections, and "tenth letter" inspections conducted as followup to informal complaints. Additionally, we will explore specialized and focused outreach efforts directed at improving training and when requested, providing technical assistance. Furthermore, since many employers will be excluded from federal enforcement jurisdiction (such as emergency medical teams, and state and county hospitals), we will work closely with state and local governmental organizations in addressing this issue.

Mr. Dwyer. When will the final standard be issued?

Mr. Scannell. The record is expected to close at the end of May and work will begin on the drafting of the final standard. Though the public response is the second largest in OSHA history, we presently remain optimistic about meeting our current projection for a final standard by January 1991.

Mr. Dwyer. Do you expect OSHA to involve itself more in protecting workers against biohazards?

Mr. Scannell. Although no regulatory action is planned for biohazards other than bloodborne pathogens, OSHA will continue to apply existing standards (such as 29 CFR 1910.132 - personal protective equipment; 1910.141 - waste disposal, and parts of 1910.145 - tagging) as well as Section 5(a)(1) of the Occupational Safety and Health Act (General Duty Clause) to biohazards as appropriate. The application of these standards to bloodborne pathogens was recently clarified in OSHA Instruction CPL 2-2.44B, "Enforcement Procedures for Occupational Exposure to Hepatitis B Virus and Human Immunodeficiency Virus (HIV)." Additionally, if serious risk from other biohazards becomes evident, OSHA will adjust its regulatory and compliance schedule accordingly.

STANDARD FOR BLOODBORNE DISEASES

Mr. Hoyer. There was language accompanying the appropriations bill last year urging OSHA to implement the CDC's regulations regarding universal precautions for AIDS, Hepatitis, and other bloodborne diseases. I understand that OSHA received 5,000 pages of comments on this issue. What is the status of the proposed standard?

Mr. Scannell. The proposed standard has been published, public hearings have been held, and the public has had an opportunity to submit written comments. We are now in the post-hearing comment period when the hearing participants have the opportunity to submit additional data to the record and make a final comment. In addition, OSHA has made the results of a survey of affected workplaces available to the public for comment. The record is expected to close at the end of May and work will begin on the drafting of the final standard. The public response is the second largest in OSHA history and analysis of the record will require several months. Despite the extensive record and the complexity of the standard, we are still optimistic that we can meet the current projected publication date for the final standard by January 1991.

Mr. Hoyer. Has the Agency found that the standards for certain professionals or work environments like dentists' offices, for example, require different levels of attention compared to hospitals?

Mr. Scannell. Based on data from the Centers for Disease Control, we know that approximately one million people in the U.S. are carriers of the Hepatitis B virus and between one and one and a half million people are carriers of the AIDS virus. Exposure to blood from these people presents a risk to workers whether they are employees in a dentist's office, a bloodbank, a laboratory, or in a hospital. The proposed standard was written specifically to accommodate these various workplaces and provides flexible minimum standards to protect the employee.

SICK BUILDING SYNDROME

Mr. Hoyer. The justification indicates that final safety standards are planned for "confined spaces." Although I believe the activity in this particular area is very specific, it brings to mind the "sick building" syndrome from which many federal employees suffer in the Washington area.Can you provide more detail about how OSHA is involved in this "sick building" syndrome?

Mr. Scannell. OSHA's broad responsibility includes the prevention of adverse health effects from air contaminants in the workplace, whether in a factory or an office setting. The agency has a number of standards that address chemicals that are believed to contribute to "sick buildings." OSHA has established permissible exposure limits for approximately 625 air contaminants. For 24 of these toxic substances, OSHA has also specified additional protective measures such as engineering controls, personal protective equipment, work practices, monitoring, medical surveillance and training. Another applicable OSHA standard is the rule for ionizing radiation which, among other things, addresses the hazard of radon exposure in the workplace.

Toxic chemicals which may affect indoor air quality are addressed generally though OSHA's Hazard Communication Standard, which is designed to ensure that workers are informed about the identities of chemicals they encounter at work and are trained in precautions to prevent harmful exposures. Some "sick building" conditions such as temperature and humidity extremes, cigarette smoke, and biological contaminants are not presently covered by specific OSHA standards, although they can be addressed by the General Duty Clause of the Occupational Safety and Health Act. The General Duty Clause requires employers to provide employment and a place of employment free from recognized hazards that are causing or are likely to cause death or serious physical harm to employees.

OSHA coordinates its efforts for indoor air quality with other federal agencies through its membership on the Interagency Committee on Indoor Air Quality (CIAQ). In consultation with CIAQ, OSHA is developing specific guidelines for its field staff on inspections for indoor air quality. Based on a report by the National Institute for Occupational Safety and Health that ventilation was a principal problem in 52 percent of its air quality surveys, OSHA's guidelines will advise agency compliance officers to perform ventilation surveys at the outset of inspections and will include several recommendations to employers to prevent or alleviate many indoor air quality problems. For example, the guidelines provide recommendations on proper ventilation techniques to ensure an adequate supply of fresh air and on the proper maintenance of heating and air conditioning equipment.

OSHA STANDARDS DEVELOPMENT

Mr. Hoyer. How does OSHA determine when it will promulgate a standard?

Mr. Scannell. OSHA decides to promulgate safety and health standards when the agency has information that employees are exposed to significant risks from safety and health hazards that are not currently regulated or are covered by existing standards which are inadequate to protect workers. OSHA sets priorities according to the magnitude of the risk, the severity of the hazard and the potential benefits to workers from regulation. OSHA may come by this information in several ways: through petitions for standards from members of the public, recommendations by the National Institute for Occupational Safety and Health, or from the input of safety and health experts on the agency's standards-development and enforcement staff.

Mr. Hoyer. How much more, if any, did OSHA request of the Department and the Department of OMB for this activity?

Mr. Scannell. OSHA requested and had approved by the Department of Labor an additional $4,800,000 and 36 FTE for standards development in FY 1991. This request was forwarded to OMB by the Department but was not one of the Administration's priority decisions that were included in the FY 1991 budget request to meet the Gramm-Rudman-Hollings defict reduction targets set by Congress.

REQUEST FOR STATE GRANT FUNDING

Mr. Hoyer. The request includes $62.2 million for the fifty percent federal matching grants to assist the 25 states currently administering and enforcing state occupational safety and health programs. How does this request compare to the FY 1990 appropriation with respect to potential for increased or improved enforcement by the States?

Mr. Scannell. The FY 1991 request of $62,220,000 carries forward all the state grant money available in 1990 as well as reflecting a four percent cost-of-living increase of $2,393,000 over the FY 1990 level. As a result of increased productivity of new inspectors hired in FY 1990, state inspectors will complete an estimated 106,900 inspections in 1991, an increase of 1,000 state inspections over 1990

STATE PLAN FUNDING FORMULA

Mr. Hoyer. Could you comment on inequities in the funding of certain States in this program and how the OSHA formula helps achieve parity over time?

Mr. Scannell. The funding formula is designed to provide a more equitable distribution of any increases in federal grant funds to participating states. The formula provides that one-half of any increase in funding above cost-of-living increases will be distributed to all states, with individual allocations based on each state's funding factor. The funding factor represents that portion of total federal grant funds each state should receive based on its worker population and the hazardousness of its industries. The remaining one-half of any increase above cost-of-living will be distributed only to those states found to be below parity according to their recalculated funding factors. Over time, as additional funds are available, below parity states will receive a greater proportion of those funds. Though the funding formula recognizes the greater need of those states below parity to receive a larger share of the funds to address funding differences, it also attempts to balance that need with that shared by all states to receive additional funds to address new and emerging priorities and hazards.

Mr. Hoyer. To what degree did the FY 1990 appropriation help address the funding inequities in underfunded States, and what are your projections on how soon we will achieve parity?

Mr. Scannell. In accordance with the funding formula, 12 states were identified as being below parity in FY 1990. These states were Arizona, Indiana, Iowa, Maryland, Minnesota, New Mexico, New York, North Carolina, South Carolina, Tennessee, Utah and Virginia. All underfunded states benefited from the distribution of additional money in 1990 with the Maryland program actually reaching funding parity. Achieving funding parity for the other states will depend on the level of funding available to support this program above cost-of-living allowances .

SAFETY AND HEALTH RESPONSIBILITIES

Mr. Hoyer. Can you outline the different yet shared responsibilities of the CDC National Institute for Occupational Safety and Health and OSHA?

Mr. Scannell. OSHA's role is primarily one of enforcing the Occupational Safety and Health Act, through a varied program of standards development, workplace inspection and employer and employee assistance. NIOSH supports the Act's goals by conducting research into the causes and prevention of occupational illnesses and injuries, and by undertaking various training and technical assistance activities.

Close cooperation between OSHA and NIOSH is essential to the smooth operation of both agencies. The general framework for all cooperative ventures is established in periodic meetings between the OSHA Assistant Secretary and the Director of NIOSH to discuss overall goals and the agencies' progress in implementing their joint efforts. The principal staff level working group is called the ONE Committee, with staff representatives from OSHA, NIOSH and FPA. The ONE Committee was established under a memorandum of understanding after a number of years of informal operation. The purpose of the Committee is to promote the effective use of agency resources by ensuring a regular exchange of information about activities, particularly for chemicals and toxic substances.

A major cooperative venture was recently undertaken by the agencies to update the NIOSH/OSHA Guidelines for chemical hazards. The revised guidelines will provide information on the approximately 600 substances covered by OSHA's updated permissible exposure limits, including for each of the substances information on: proper respiratory equipment, recommended medical surveillance, and potential chronic health effects.

POTENTIAL FOR BIRTH DEFECTS

Mr. Hoyer. Several months ago there were news reports regarding the possibility that an employer had determined that a certain class of worker, specifically women of child bearing age, would be excluded from certain categories of work because of the potential for birth defects. Is the agency aware of examples of this type of response on the part of employers, and does OSHA have a position?

Mr. Scannell. On September 26, 1989, the U.S. Court of Appeals for the Seventh Circuit issued a decision in United Auto Workers v. Johnson Controls, Inc., 886 F.2d 871, holding that an employer's "fetal protection policy," which excluded fertile women from jobs in which excessive exposure to lead was possible, did not violate Title VEE, 42 U.S.C. 2000e, et seq. The decision received a great deal of publicity, and may be the basis for your questions. On January 29, 1990, the United Auto Workers filed a petition for certiorari in the U. S. Supreme Court. The Court has recently taken that case for review. In addition, on February 26, 1990, an intermediate appellate court in California ruled that the same policy violates California state law prohibiting sex discrimination.

Johnson Controls indicated that it will appeal that decision to the California Supreme Court. Both Johnson Controls cases were private litigation, in which neither OSHA nor any other agency in the Department of Labor was involved. However, arguments drawn from OSHA's lead standard played a significant part in both cases.

The OSHA standard establishes permissible lead limits of 50 ug/m^3 of air, and 50ug/100g of blood for all workers, regardless of gender or fertility [20 C.F.R 1910.1025(c)(1) and (k)(1)(i)(D)]. However, medical surveillance guidelines published as Appendix C to the standard state that:

> Exposure to lead can have serious effects on reproductive function in both males and females ... OSHA recommends a 30 ug/100g maximum permissible blood level in both males and females who wish to bear children.

The standard also contains a Medical Removal provision which, among other things, requires employers to remove any employee from work having an exposure level above 30 ug/m^3 if there has been a final medical determination that the employee has "a detected medical condition which places the employee at increased risk of material impairment to health from exposure to lead." [20 C.F.R. 1910.1025 (k)(2)]. Removed employees may not suffer any loss of pay or benefits upon removal. Appendix C specifically states that this provision may be used for "pregnant workers and male and female workers who are planning to raise children." We are aware of cases where pregnant employees have been removed; we do not know how frequently removal is utilized for either men or women planning to conceive children.

JUSTIFICATION OF THE BUDGET ESTIMATES

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

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OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses for the Occupational Safety and Health Administration, [$270,748,000] *$287,892,000*, including not to exceed [$60,613,000] *$62,220,000*, which shall be the maximum amount available for grants to States under section 23(g) of the Occupational Safety and Health Act, which grants shall be no less than fifty percent of the costs of State occupational safety and health programs required to be incurred under plans approved by the Secretary under section 18 of the Occupational Safety and Health Act of 1970]: *Provided*, That none of the funds appropriated under this paragraph shall be obligated or expended to prescribe, issue, administer, or enforce any standard, rule, regulation, or order under the Occupational Safety and Health Act of 1970 which is applicable to any person who is engaged in a farming operation which does not maintain a temporary labor camp and employs ten or fewer employees: 1/ *Provided further*, That none of the funds appropriated under this paragraph shall be obligated or expended to prescribe, issue, administer, or enforce any standard, rule, regulation, order or administrative action under the Occupational Safety and Health Act of 1970 affecting any work activity by reason of recreational hunting, shooting, or fishing: 2/ *Provided further*, That no funds appropriated under this paragraph shall be obligated or expended to administer or enforce any standard, rule, regulation, or order under the Occupational Safety and Health Act of 1970 with respect to any employer of ten or fewer employees who is included within a category having an occupational injury lost work day case rate, at the most precise Standard Industrial Classification Code for which such data are published, less than the national average rate as such rates are most recently published by the Secretary, acting through the Bureau of Labor Statistics, in accordance with section 24 of that Act (29 U.S.C. 673), except--

(1) to provide, as authorized by such Act, consultation, technical assistance, educational and training services, and to conduct surveys and studies;

(2) to conduct an inspection or investigation in response to an employee complaint, to issue a citation for violations found during such inspection, and

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to assess a penalty for violations which are not corrected within a reasonable abatement period and for any willful violations found;

(3) to take any action authorized by such Act with respect to imminent dangers;

(4) to take any action authorized by such Act with respect to health hazards;

(5) to take any action authorized by such Act with respect to a report of an employment accident which is fatal to one or more employees or which results in hospitalization of five or more employees, and to take any action pursuant to such investigation authorized by such Act; and

(6) to take any action authorized by such Act with respect to complaints of discrimination against employees for exercising rights under such Act: *Provided further*, That the foregoing proviso shall not apply to any person who is engaged in a farming operation which does not maintain a temporary labor camp and employs ten or fewer employees]. [3] *(29 U.S.C. 651 et seq.; 33 U.S.C. 941 et seq.; 40 U.S.C. 333 et seq.; 41 U.S.C. 35 et seq., 351 et seq.; Department of Labor Appropriations Act, 1990.)*

OSHA-3

EXPLANATION OF LANGUAGE CHANGE

1/. The exemption for small farming operations excludes a large segment of workers from OSHA coverage. The provision exempts more than 98 percent of the nation's farms and at least 53 percent of all farm workers (more than 600,000 workers) from the Act's protection. Currently, agriculture has the highest lost workday injury rate of any major industry group other than construction.

2/. The recreational hunting, shooting, or fishing amendment resulted from an incident that was perceived to represent agency policy. OSHA has no such policy or intent. Moreover, the amendment is so narrow as to have almost no application.

3/. The exemption from general schedule safety inspections for small firms in industry classifications having a lost workday injury rate less than the national average is unnecessary in view of OSHA's current enforcement practices, which preclude inspections of this type. Moreover, this restriction limits the agency's flexibility to focus inspection resources on individual workplaces with the poorest safety records, if they are included within such a category.

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	Explanation
" ... including not to exceed [$60,633,000] *$62,220,000*, which shall be the maximum amount available for grants to States under section 23(g) of the Occupational Safety and Health Act, which grants shall be no less than fifty percent of the costs of State occupational safety and health programs required to be incurred under plans approved by the Secretary under section 18 of the Occupational Safety and Health Act of 1970:"	This appropriation language establishes an overall limit on 50 percent matching grants to states for approved occupational safety and health compliance programs. The language ensures that states administering and enforcing state programs under plans approved by the Secretary shall not be required to expend from their own funds more than an amount equal to the grants provided by this appropriation.

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation	2,441	$247,746,000	2,429	$270,748,000	2,459	$287,893,000
Reduction pursuant to P.L. 99-177.			--	-3,601,000		
A. Revised appropriation.	2,441	$247,746,000	2,429	$267,147,000	2,459	$287,893,000
Comparative transfer to:						
DOL Academy.....	-1	---	-1	---	--	---
DOL Fitness Center.	-1	---	-1	---	--	---
Comparative Transfer from:						
Departmental Management	--	+241,000	--	---	--	---
Ceiling adjustment for:						
Office of Public Affairs	-2	-124,000	-2	-128,000	--	---
B. Total available budget authority...........	2,437	$247,863,000	2,425	$267,019,000	2,459	$287,893,000
C. Total estimated obligations.........	2,437	$247,863,000	2,425	$267,019,000	2,459	$287,893,000

SUMMARY OF CHANGES

	1990	1991	Net Change
Budget Authority:			
General Funds..................	$267,019,000	$287,893,000	+$20,874,000
Full-time Equivalent:			
General Funds..................	2,425	2,459	+34

	General Funds	
	FTE	Amount
Explanation of Change:	+34	+$20,874,000
Increases:		
A. Built-In:		
To provide for net cost of within-grades and promotions....	--	+1,099,000
To provide for annualization of pay effective January 1990.	--	+1,128,000
To provide for an extra day of pay in 1991.................	--	+421,000
To provide for increased pay effective January 1991........	--	+3,126,000
To provide special salary rates for industrial hygienists..	--	+913,000
To provide for net costs of personnel benefits.............	--	+1,023,000
To provide for increased contributions to the Federal Employees' Compensation Fund..............................	--	+71,000
To provide for increased costs of GSA rent.................	--	+638,000
To provide for increased costs of utilities, communications and other rent..	--	+200,000
To provide for increased costs of printing.................	--	+275,000
To provide for increased costs of the consultation program.	--	+999,000
To provide for increased costs of fund transfers to BLS....	--	+762,000
To provide for increased costs of the Working Capital Fund.	--	+83,000
To provide for increased costs of state operational grants.	--	+2,393,000
To provide for increased costs of BLS statistical grants...	--	+133,000
Subtotal	--	+$13,264,000

	General Funds	
	FTE	Amount
B. Program:		
To provide for a targeted program initiative in enforcement activities (1990 Base: FTE 2,118 Budget Authority $140,841,000)	+34	+$2,700,000
To provide for replacement within the Integrated Management Information System (IMIS) (1990 Base: FTE 42 Budget Authority $8,275,000)	--	+3,228,000
To provide for the ongoing BLS redesign of the Occupational Safety and Health statistical program (1990 Base: FTE 0 Budget Authority $14,262,000)	--	+4,000,000
Subtotal	--	+$9,928,000
Total Increases	+34	+$23,192,000
Decreases		
A. Built-In:		
To reflect a decrease in support costs associated with staff relocated from California	--	-$2,318,000
Total Change	+34	+$20,874,000

BUDGET AUTHORITY BY ACTIVITY

Budget Authority applied to General Funds :	1989 Comparable		1990 Appropriation		1990 Estimate 1/		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Safety and health standards............	91	$6,670,000	91	$6,957,000	91	$6,864,000	91	$7,155,000	--	+$291,000
2. Enforcement:										
a. Federal enforcement.......	1,983	116,794,000	1,957	118,704,000	1,957	117,126,000	1,984	125,052,000	+27	+7,926,000
b. State programs..........	---	45,684,000	---	60,633,000	---	59,827,000	---	62,220,000	--	+2,393,000
3. Technical support..............	150	17,276,000	161	17,868,000	161	17,630,000	168	18,489,000	+7	+859,000
4. Compliance assistance...........	101	35,521,000	108	37,501,000	104	36,874,000	104	38,053,000	---	+1,179,000
5. Safety and health statistics...........	50	19,998,000	50	22,992,000	50	22,686,000	50	30,391,000	--	+7,705,000
6. Executive direction and administration...	62	5,920,000	62	6,093,000	62	6,012,000	62	6,533,000	---	+521,000
Total Budget Authority...	2,437	$247,863,000	2,429	$270,748,000	2,425	$267,019,000	2,459	$287,893,000	+34	+20,874,000

1/ Included in the 1990 Estimate:

Reduction pursuant to P.L. 99-177.	0 FTE;	-$3,601,000
Comparative transfer to DOL Academy and DOL Fitness Center	-2 FTE;	---
Ceiling adjustment for Office of Public Affairs	-2 FTE;	-128,000

BUDGET AUTHORITY BY OBJECT

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions........................	2,403	2,399	2,433	+34
Full-time equivalent:				
Full-time in permanent positions	2,403	2,399	2,433	+34
Other positions................	26	26	26	--
Total..........................	2,429	2,425	2,459	+34
Average ES salary	$72,324	$75,009	$77,694	+$2,685
Average GM/GS grade	10.40	10.29	10.29	-
Average GM/GS salary	$36,794	$36,975	$38,314	+$1,339
Average salary of ungraded positions	---	---	---	---
Personnel compensation:				
Permanent positions.............	$88,341,000	$88,752,000	$95,328,000	+$6,576,000
Positions other than permanent.	518,000	592,000	622,000	+30,000
Other personnel compensation...	1,895,000	1,503,000	1,590,000	+87,000
Subtotal, personnel compensation.	$90,754,000	$90,847,000	$97,540,000	+$6,693,000
Personnel benefits...............	18,647,000	18,068,000	20,320,000	2,252,000
Benefits for former personnel...	---	---	---	---
Travel and transportation of persons.........................	10,011,000	9,690,000	9,852,000	+162,000
Transportation of things.........	776,000	776,000	636,000	-140,000
Space Rental.....................	11,334,000	11,334,000	12,114,000	+780,000
Communications, utilities, and other rent.....................	3,737,000	3,737,000	3,957,000	+220,000
Printing and reproduction.......	1,278,000	1,278,000	1,678,000	+400,000
Other services 1/................	59,698,000	58,226,000	62,292,000	+4,066,000
Supplies and materials..........	2,635,000	2,635,000	3,056,000	+421,000
Equipment........................	6,266,000	5,688,000	5,982,000	+294,000
Grants...........................	65,612,000	64,740,000	70,466,000	+5,726,000
Total,budget authority by object	$270,748,000	$267,019,000	$287,893,000	+$20,874,000
Working Capital Fund obligations included above................	(10,247,000)	(10,440,000)	(10,523,000)	(+83,000)
Advisory and assistance services included above................	(4,664,000)	(4,664,000)	(4,864,000)	(+200,000)
Federal Employees' Retirement System contributions included above.	(4,627,000)	(4,621,000)	(6,222,000)	(+1,601,000)

1/Includes the following amounts for services of other agencies Department of Labor:

Bureau of Labor Statistics.	(9,992,000)	(9,859,000)	(11,595,000)	(+1,736,000)

OSHA-10

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item:	Action Taken or To be Taken:
1990 House Report (No. 101-172) No specific actions recommended.	
1990 Senate Report (No. 101-127)	
Hazard Communication	
"The Committee recommendation includes $1,000,000 to fund up to two grants to joint labor-management trust funds to improve the technical literacy of employees and make the scientific terminology of material safety data sheets (MSDS's) readily understandable by workers and community organizations. The House did not consider this initiative, for which there was no budget request. The Secretary is urged to consider purchasing technical information on workplace toxic chemicals, including MSDS's, to establish a complete reference file in the Department, and prepare a comprehensive evaluation of the standard, with emphasis on the hazard determinations and worker comprehension of MSDS information. The Secretary shall report to the Committee by June 1, 1990, on the findings of the evaluation, recommendations to address identified problems, the status of the reference file, and the grant(s) funded."	Conference action adjusted the fund availability for grants to joint labor-management trust funds to $500,000. In addition, OSHA is undertaking a major review of the requirements in its Hazard Communication Standard (HCS) for material safety data sheets (MSDS). It is apparent that the criteria for effective communication of chemical hazards have evolved since the HCS was first issued in November 1983, and that the use of MSDS's has broadened in the past few years to include all exposed workers, as well as parties outside the workplace. Therefore, OSHA intends to publish in the Federal Register early this year a notice seeking from preparers and users of labels and MSDS, among other things, information concerning their experience implementing the HCS. Included among the issues for which OSHA OSHA has requested public comment are: possible development of a standardized format for MSDS's and labels; improvements in the communicability of the information presented including consideration of the language skills needed to comprehend that information; and improvements in the training provided to employees in understanding and using MSDS's and labels. OSHA will report to the Committee on its evaluation of these and other MSDS issues, as directed.
Bloodborne Diseases	
"At this time, the Committee strongly recommends that OSHA expeditiously implement the regulations issued by the Centers for Disease Control, regarding the universal precautions standards for AIDS, hepatitis, and other blood-borne diseases, and that it follow through on the recommendations issued by NIOSH to address the serious problem of health hazards faced by occupational health professionals, including nurses."	OSHA's proposed standard for bloodborne pathogens, which was published on May 30, 1989, incorporates the recommendations of the Centers for Disease Control for precautions to protect health-care workers. Since publication of its proposal, OSHA has held five public hearings at which comments filling more than 5,000 pages were received. After thoroughly reviewing these comments, OSHA expects to publish a final rule early in calendar year 1991.

Recordkeeping

"Last year, the Committee expressed its concern about employers' under-reporting of work-related injuries and illnesses and asked the Labor Department to consider ways it could use the audit procedures for detecting these recordkeeping violations that had been developed in a joint OSHA/BLS study...

"The Committee has received that report which analyzed four options for implementing these procedures, and notes the Labor Department's choice of two options: (1) adopting interview procedures from that study for use in routine record reviews in all inspections conducted in the manufacturing sector; and (2) repeating the entire study, including reconstruction of the employer's injury and illness log, about every 5 years for comparison with the benchmark 1987 study...

"The Committee is concerned, however, that the Department's report did not specify how the current record review procedures -- which already require interviews with the designated recordkeeper and employees--will be changed to incorporate the more structured approach found to be useful in the OSHA/BLS study, nor when those revisions will be made. Accordingly, the Department should provide to the Committee a report describing specific record review changes being implemented together with the timetable for implementation. Also, the Department should report to the Committee the results of the replication study when it is completed."

OSHA has continued its emphasis on enforcing its recordkeeping requirements and will report to the Committee, as directed, on the implementation of changes in agency procedures for records review. OSHA expects to replicate the 1987 "Two-State Study" in 1992 and to report the results of that study to the Committee in FY 1993.

Model Management Agreement

"The Committee directs OSHA to continue its discussions with the State of Washington and the Confederated Tribes of the Colville Reservation to assist in developing a model management agreement to implement an occupational safety and health program for on-reservation business operations, which recognizes the respective jurisdictional responsibilities of the State and the tribes. OSHA is directed to report to the Committee within 120 days with recommendations for specific funding necessary to implement such a model program on the Colville Reservation consistent with the Federal trust responsibility to federally recognized Indian tribes."

The Occupational Safety and Health Administration is continuing its negotiations with the Colville Confederated Tribes to develop an acceptable occupational safety and health program for the Colville Tribes that includes the provision of either State or Federal enforcement coverage over Indian-owned or tribal facilities on the Reservation. A report will be submitted to the Committee as directed detailing the progress of these negotiations.

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request 1990	Budget Request 1991
Authorizing legislation containing indefinite authority		
Occupational Safety and Health Act of 1970 (P.L. 91-596)	$270,748,000	$287,893,000

APPROPRIATION HISTORY

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1981..............	$209,580,000	$209,376,000	-----------	$209,376,000
1982..............	203,487,000	227,761,000	$203,487,000	195,465,000
1983..............	207,649,000	208,195,000	205,649,000	206,649,000
1984..............	210,860,000	212,560,000	212,560,000	212,560,000
1985..............	217,752,000	219,652,000	220,152,000	219,652,000
1986..............	217,208,000	217,208,000	217,208,000	208,692,000 1/
1987..............	225,811,000	225,811,000	225,811,000	225,811,000
1988..............	245,860,000	244,001,000	247,901,000	235,474,000
1989..............	244,851,000	246,517,000	246,851,000	247,746,000 2/
1990..............	252,892,000	270,248,000	271,248,000	270,748,000
Reduction pursuant to P.L. 99-177.				3,601,000
1991..............	287,893,000			

1/ Includes reductions pursuant to P.L. 99-177.

2/ Reflects across-the-board reduction of $2,971,000 pursuant to P.L. 100-436.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION
Salaries and Expenses

JUSTIFICATION

	1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Safety and health standards.....	91	$6,957,000	91	$6,864,000	--	-$93,000	91	$7,155,000	--	+$291,000
Enforcement										
a. Federal enforcement....	1,957	118,704,000	1,957	117,126,000	--	-1,578,000	1,984	125,052,000	+27	+7,926,000
b. State programs.......	--	60,633,000	--	59,827,000	--	-806,000	--	62,220,000	--	+2,393,000
Technical support..............	161	17,868,000	161	17,630,000	--	-238,000	168	18,489,000	+7	+859,000
Compliance assistance...........	108	37,501,000	104	36,874,000	-4	-627,000	104	38,053,000	--	+1,179,000
Safety and health statistics...	50	22,992,000	50	22,686,000	--	-306,000	50	30,391,000	--	+7,705,000
Executive direction and administration..	62	6,093,000	62	6,012,000	--	-81,000	62	6,533,000	--	+521,000
Total budget authority....	2,429	$270,748,000	2,425	$267,019,000	-4	-$3,729,000	2,459	$287,893,000	+34	+$20,874,000

[1/] Included in the 1990 estimate:

Reduction pursuant to P.L. 99-177	0 FTE;	-$3,601,000
Comparative transfer to DOL Academy and DOL Fitness Center	-2 FTE;	---
Ceiling adjustment for Office of Public Affairs	-2 FTE;	-128,000

General Statement

This appropriation provides for necessary expenses of the Occupational Safety and Health Administration to carry out the purposes of the Occupational Safety and Health Act of 1970 (the Act). The agency promulgates occupational safety and health standards and enforces compliance by inspecting places of employment. The agency also provides consultation, training and information services for employers and employees, assists other Federal agencies in establishing and maintaining occupational safety and health programs for Federal workers; and publishes statistics on the incidence, severity and causes of occupational injuries and illnesses. Fifty-percent matching grants are provided to assist 25 states and jurisdictions in administering and enforcing approved state occupational safety and health programs.

SAFETY AND HEALTH STANDARDS

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
91	$6,957,000	91	$6,864,000	--	-$93,000	91	$7,155,000	--	+$291,000

1/
Included in the 1990 estimate:
Reduction pursuant to P.L. 99-177 0 FTE; -$93,000

Introduction:

This activity provides for the development, promulgation, review and evaluation of occupational safety and health standards to assure every American worker, so far as possible, safe and healthful working conditions. When promulgated, standards become: (1) obligatory safety and health requirements for employers and employees; (2) the basis for Federal enforcement actions; (3) a minimum level of effectiveness for State occupational safety and health standards; and (4) a point of reference for labor-management efforts to reduce workplace fatalities, injuries, and illnesses.

1991 Budget Request

In 1991, as preliminary actions on proposed safety and health issues are completed, final safety and health standards will be promulgated. OSHA expects to promulgate eight final and four proposed standards for safety issues and six final and five proposed standards for health. Final safety standards are planned in general industry for: electric power generation, logging operations, confined spaces, vehicle safety (training and seatbelts), and hazardous waste site operations (accreditation of training). Final safety standards are also anticipated in construction for lift-slabs, and stairways and ladders; and in maritime for scaffolds. Assisted by the advisory committee for shipyard standards, OSHA will propose rulemakings for two subparts relating to shipyard employment. The publication of general industry safety proposals for powered industrial trucks, and fire protection (fire brigades), is also planned. Final health standards are anticipated for issues relating to the asbestos (remand) for which proposed revisions were published in 1990; nonasbestiform fibers (tremolite, anthophyllite and actinolite); 1,3-butadiene; respiratory protection; protection from bloodborne diseases (health-care workers); and formaldehyde (hazard communication). Proposed health standards are planned for benzene (barge, tanker, cleaning, and repair); formaldehyde (hazard communication); exposure monitoring; medical surveillance; and a permissible exposure limits (PELs) update for construction, maritime and agriculture.

Workload/Output Measures	1989 Actual	1990 Estimate	1991 Estimate
Safety Standards:			
Notices of proposed rulemaking.....	10	13	4
Final rules.........................	4	4	8
Health Standards:			
Notices of proposed rulemaking.....	3	7	5
Final rules.........................	2	5	6

1990

OSHA plans to promulgate four final safety standards: one in general industry for electrical safe-work practices; one in construction for excavations; and two in the maritime industry for welding, cutting and heating, and access and egress. The promulgation of a generic health standard covering methods of compliance in the workplace is also anticipated. Other health regulations may include a final rule for 4,4'-methylenedianiline (MDA), modifications of the hazard communication standard, a final standard for occupational exposure to toxic substances in laboratories, and certain asbestos (remand) issues based on the 1986 record.

Notices of proposed rulemaking are planned for several safety standards, including rules for vehicle safety (training and seatbelts); hazardous waste site operations (accreditation of training); welding, cutting and heating; steel erection; longshoring; hazardous materials (process, storage, and use); personal protective equipment (fall protection); and walking and working surfaces. The publication of other safety proposals is planned for five subparts relating to shipyard employment. Notices of proposed rulemaking are planned for seven health regulations, including issues relating to: asbestos (remand); nonasbestiform fibers (tremolite, anthophyllite and actinolite); 1,3-butadiene; cadmium; glycol ethers; methylene chloride; and revisions of the respiratory protection standard.

1989

OSHA focused the efforts of its standards activity on the development and promulgation of generic standards in order to protect workers from groups of hazards, as well as addressing individual substances or hazards. A generic safety standard was promulgated for general industry covering the control of hazardous energy sources in the workplace (lockout). Final safety standards were also promulgated for general industry covering hazardous waste site operations and powered platforms. A final safety rule was published in the construction industry for underground tunnels and shafts. Final health rules were published for lead (applicable to nine industry sectors that were previously exempt). Additionally, OSHA completed a major project to update the PELs for over 400 commonly used substances in general industry.

Notices of proposed rulemaking were published for ten safety standards, including general industry standards for electric power generation; logging operations; and personal protective equipment (head, face, eye, and foot); and shipyard standards for welding, cutting, and heating; scaffolds; personal protective equipment; access and egress; fall protection; and explosive and other dangerous atmospheres. A proposed generic safety rule for confined spaces was also published to protect workers who enter or work in potentially hazardous confined areas. Notices of proposed rulemaking were published for three health issues, including a rule to protect health-care workers from bloodborne pathogens, a standard for MDA, and a generic health standard for methods of compliance.

Changes for 1991

Activity Changes:

Built-in:

Within-grades and promotions	$41,000
Annualization of pay increase effective January 1990	42,000
Extra day of pay	15,000
Pay increase effective January 1991	99,000
Special salary rates for industrial hygienists	58,000
Net costs of personnel benefits	36,000
Total Built-in	$291,000

ENFORCEMENT

	1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
2(a). Federal enforcement:	1,957	$118,704,000	1,957	$117,126,000	--	-$1,578,000	1,984	$125,052,000	+27	+$7,926,000
2(b). State programs:	--	60,633,000	—	59,827,000	—	-806,000	--	62,220,000	—	+$2,393,000
Total enforcement:	1,957	$179,337,000	1,957	$176,953,000	--	-$2,384,000	1,984	$187,272,000	+27	+$10,319,000

1/ Included in the 1990 estimate:
Reduction pursuant to P.L. 99-177 0 FTE; -$1,578,000 (Federal)
-806,000 (State programs)

Introduction

This activity provides for the enforcement of Federal workplace standards pursuant to the Occupational Safety and Health Act of 1970, and makes fifty percent matching grants to assist states in administering and enforcing occupational safety and health standards under approved state programs. Compliance is obtained in part by the physical inspection of plants and facilities, and in part by fostering the voluntary cooperation of employers and employees. Inspections are scheduled: (1) to investigate promptly claims of imminent danger and employee complaints alleging serious workplace hazards; (2) to investigate worksite accidents that result in one or more fatalities or the hospitalization of five or more workers; (3) to conduct programmed inspections of workplaces in high-hazard industries; and (4) to investigate complaints of discriminatory actions taken against employees for exercising rights afforded them under the Act.

2(a). Federal Enforcement

1991 Budget Request

In 1991, OSHA's enforcement strategy will include a selective targeting of inspections and related compliance activities to specific high hazard industries. The agency's enforcement activity will emphasize high-priority initiatives, including enforcement of the hazard communication standard in all industries, and other important safety and health issues such as bloodborne infectious diseases and new exposure limits for airborne contaminants. The agency will continue to emphasize the substantive content of inspections. Although inspections have become more complex, especially as a result of the universal application of the hazard communication standard, OSHA will conduct 2,950 more inspections in 1991 than are projected for 1990. This change reflects the increased experience of compliance officers hired during the last several years. In 1991, OSHA will fully implement the enforcement portion of the national special emphasis program in ergonomics initiated in 1990 by targeting three inspections of large meat-packing plants. This initiative is designed to serve as a model for future targeted efforts. This program will be based on a combination of enforcement, cooperative programs, training, information and research. In 1991, additional resources have been requested to support the successful implementation of this initiative to avoid adversely impacting the agency's ongoing program efforts. As in previous years, penalty policies and the use of company-wide settlements will continue to be implemented.

The following table identifies the major workload categories for Federal enforcement during the period 1989-1991:

Workload/Output Measures:	1989 Actual	1990 Estimate	1991 Estimate
Federal compliance inspections:	54,557	58,500	61,450
Safety inspections......................	43,947	47,150	49,450
Health inspections......................	10,610	11,350	12,000
Employees in inspected workplaces:	8,622,632	9,000,000	9,500,000
§11(c) discrimination complaints:			
Complaints investigated................	3,611	3,300	3,300

1990

In 1990, OSHA will emphasize high priority initiatives including enforcement of the hazard communication standard in all industries and inspections for occupational health hazards. It is estimated that OSHA's compliance personnel will conduct approximately 58,500 inspections, a net increase of almost 4,000 inspections over 1989. This change reflects increased productivity from positions redeployed from California to other areas of the country, offset by the additional time required to enforce the hazard communication standard as a part of inspections of construction worksites and other industries newly covered by the standard. In addition, in 1990, OSHA will conduct its first pilot inspection of a large meatpacking plant under the national special emphasis program in ergonomics. This program will allow the agency to move to address the hazards in this industry which has consistently had one of the highest injury/illness rates in the country. The smaller number of section 11(c) discrimination complaints that are projected to be investigated under the Federal enforcement activity in 1990 and subsequent years reflects the resumption of inspections and investigations by the State of California under its approved state plan. An estimated nine million employees in inspected workplaces are expected to benefit from the Federal enforcement activity in 1990. OSHA will continue its policy of using violation-by-violation sanctions when it encounters flagrant violations of the Act. OSHA will also enter into settlement agreements, where appropriate, which provide for nation-wide abatement.

1989

In 1989, a total of 54,557 workplace inspections were conducted in non-plan states, of which 43,947 were safety inspections and 10,610 were for occupational health hazards. Over one-half of these inspections were made at construction worksites (28,800); the next largest number by industry category was manufacturing (15,412). OSHA conducted 22,124 programmed/high-hazard inspections, 11,836 inspections based on employee complaints, and 1,346 investigations as a result of accidents. In 1989, OSHA continued to utilize the penalty provisions of the Act to emphasize the seriousness of willful and repeated violations and to multiply the deterrent effect of individual inspections. Penalties totaling $57,527,588 were proposed, of which $52,487,744 were for serious, willful, and repeat violations. Some of the largest of these were for recordkeeping violations and for neglecting to report cumulative trauma disorders, resulting in multi-plant abatement agreements covering broad segments of the automobile, meat-packing and other industries. The agency also investigated 3,611 complaints alleging that unfair or discriminatory actions had been taken by employers against employees for exercising rights afforded them by the Act.

Effective May 1, 1989, the State of California resumed jurisdiction for the enforcement of state occupational safety and health standards in the private sector and began conducting complaint, accident and related follow-up investigations throughout the state. Concurrently, Federal OSHA began phasing out its own inspection program in California, and redeploying staff in California to other areas of the country. As a result of these transition activities in California, as well as a heavy complaint workload elsewhere, the total number of inspections conducted nationwide in 1989 by Federal compliance officers fell below the agency's original projections for the year. A total of 8,622,632 persons were employed in establishments inspected under the Federal job safety and health enforcement activity.

Changes for 1991

Activity Changes:

Built-in:	
Within-grades and promotions	$869,000
Annualization of pay increase effective January 1990	898,000
Extra day of pay in 1991	339,000
Pay increase effective January 1991	2,284,000
Special salary rates for industrial hygienists	811,000
Net costs of personnel benefits	870,000
Federal Employees' Compensation Fund	71,000
GSA rent	586,000
Utilities, communications and other rent	43,000
Working Capital Fund	83,000
Decrease in support costs associated with staff relocated from California	-841,000
Total Built-in	$6,013,000
Net Program	$1,913,000
FTE	+27

Targeted Program Initiative

Proposal: An increase of 27 FTE and $1,913,000 is requested to enable OSHA to maintain its current level of inspection activity in all industries, while implementing a new targeted program initiative to focus on significant workplace problems. In 1991, OSHA will initiate its major inspection thrust for a national special emphasis program in ergonomics, initially directed to large meat-packing facilities. This program will serve as a model for future targeted initiatives.

Rationale: In 1990, OSHA will initiate a national special emphasis program in ergonomics, directed initially at large meat-packing plants. This special emphasis program will be based on a combination of enforcement, cooperative programs, training, information and research, and will allow the agency to address systematically the hazards in an industry which has consistently had one of the highest injury/illness rates in the country. In 1991, the agency will initiate its major enforcement thrust for this program by conducting three inspections of large meat-packing facilities. To achieve meaningful results, each of these inspections will be extremely comprehensive, requiring a significant commitment of staff resources.

Program Effects: The requested program increase will enable the agency to conduct this important national emphasis program without reducing OSHA's existing enforcement presence in other workplaces. Without additional staff resources in 1991, the effects of conducting these three inspections in large meat-packing plants, monitoring inspections, and undertaking other cooperative efforts would be to reduce the number of other inspections OSHA could conduct by an estimated 1,400 inspections. This request, in conjunction with the request for the technical support activity, will provide sufficient resources to allow OSHA to join with cooperative employers to identify employer programs which have been successful in addressing cumulative trauma disorders.

Base:
FTE: 1,957 Estimate: $123,139,000

Program Increase:
FTE: +27 Estimate: $1,913,000

2(b). State Programs

1991 Budget Request

A total of $62,220,000 is requested for fifty-percent Federal matching grants to assist the 25 states currently administering and enforcing state occupational safety and health programs under plans approved by the Secretary. In 1991, state plan personnel are expected to conduct approximately 106,900 safety and health inspections of workplaces, an increase of 1,050 inspections resulting from increased productivity of additional inspectors hired in 1990.

In 1991, OSHA will implement a revised state plan monitoring and evaluation system. Revisions will be based on the results of a comprehensive review initiated in 1989. All states are expected to submit program activity data to OSHA's Integrated Management Information System (IMIS). State benchmarks for compliance staff will continue to be revised, as appropriate. Final section 18(e) consideration will be initiated for states which meet benchmark requirements and other qualifying considerations, and whose performance is determined to be "at least as effective" as the Federal program in providing safe and healthful places of employment.

Major workload categories for state programs activity and the distribution of grant funds for state operational programs are as follows:

Workload/Output Measures:	1989 Actual	1990 Estimate	1991 Estimate
Number of operational grants:	25	25	25
Number of state inspectors:	1057	1108	1108
Safety	688	722	722
Health	369	386	386
State enforcement inspections:	93,162	105,850	106,900
Safety	81,405	91,720	92,100
Health	11,757	14,130	14,800
Operational Grants --			
Total Obligations by State:	$45,684,000	$59,827,000	$62,220,000
Alaska	$1,123,077	$1,082,471	$1,125,770
Arizona	815,177	966,854	1,005,528
California	3,614,800	14,678,297	15,265,429
Connecticut	386,207	398,049	413,971
Hawaii	1,183,862	1,207,240	1,255,530
Indiana	2,113,491	2,427,075	2,524,158
Iowa	858,067	980,672	1,019,899
Kentucky	2,150,410	2,313,461	2,405,999
Maryland	2,637,938	2,735,796	2,845,228
Michigan	6,785,076	7,019,700	7,300,409
Minnesota	1,854,584	2,071,733	2,154,602
Nevada	797,608	820,421	853,238
New Mexico	614,010	690,563	718,186
New York	1,987,576	2,176,561	2,263,623
North Carolina	2,083,133	2,560,262	2,662,672
Oregon	$3,653,239	$3,719,416	$3,868,193
Puerto Rico	1,699,170	1,723,958	1,792,916
South Carolina	1,323,528	1,529,359	1,590,533
Tennessee	1,409,097	1,630,959	1,696,197
Utah	617,135	738,526	768,067

Total Obligations by State (Cont.):	1989 Actual	1990 Estimate	1991 Estimate
Vermont	455,034	492,967	512,686
Virgin Islands	244,730	246,313	256,166
Virginia	2,007,014	2,274,809	2,365,801
Washington	4,976,820	4,977,984	5,177,103
Wyoming	293,217	363,554	378,096

1990

In 1990, state plan personnel are expected to conduct approximately 105,850 worksite inspections, including 91,720 safety and 14,130 health inspections, an increase of 12,688 inspections over 1989. This level of activity reflects the full resumption of private sector enforcement activity by the State of California (Cal-OSHA). Additional funding provided in 1990 will be distributed to participating states on the basis of OSHA's established funding formula designed to achieve funding parity over time among the states. As a result, all states will benefit from additional funding and the agency will begin to address the funding inequities of underfunded states. With the additional resources, states are expected to conduct approximately 1,580 more inspections than in 1989. States' enforcement activities will address initiatives directed towards targeted and special emphasis programs, enforcement of the new permissible exposure limits (PELs), the hazard communication standard in construction, hazardous waste site operations, abatement of ergonomic hazards in the meat-packing industry, as well as enforcement of new standards.

OSHA will continue its extensive review of the state plan monitoring and evaluation system, and will implement a number of interim measures to address the concerns of the General Accounting Office (GAO) and the Department's Office of Inspector General (OIG), including increased on-site monitoring of state plan activities. Negotiations with New York State concerning fulfillment of its developmental commitments are expected to be completed. Once these revisions of the State's developmental submissions are approved and the state plan is certified, all 25 states with approved plans will have demonstrated the structural capacity to independently administer their state programs. All plan states, including Cal-OSHA, are expected to be participating contributors and users of OSHA's IMIS by the end of the year.

1989

In 1989, state plan personnel conducted 93,162 inspections of workplaces to determine compliance with safety and health requirements. Of this total, approximately 81,405 workplaces were inspected for compliance with safety regulations, and an estimated 11,757 workplaces were inspected for compliance with health requirements. These inspection totals reflect the phased resumption of California's state plan enforcement activities in the private sector.

During 1989, the Virginia state plan was granted final approval under section 18(e) of the OSH Act. This brings to fourteen the total number of states with final approval of their occupational safety and health programs. Agreements were reached with the states of California, Michigan and Washington to begin entering statistical program data into OSHA's IMIS effective fiscal year 1990. The GAO and OIG completed reviews of OSHA's state plan monitoring and evaluation system. In response to the GAO's and OIG's recommendations, OSHA initiated a comprehensive review of its monitoring and evaluation system.

Changes for 1991

Activity Changes:

Built-in:	
State operational grants	$2,393,000
Total Built-in	$2,393,000

TECHNICAL SUPPORT

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
161	$17,868,000	161	$17,630,000	—	-$238,000	168	$18,489,000	+7	+$859,000

1/ Included in the 1990 Estimate:
Reduction pursuant to P.L. 99-177 0 FTE; -$238,000

Introduction:

This activity provides specialized technical services and support for OSHA's program operations. Major component functions are: (1) safety engineering, industrial hygiene, and medical assistance for the abatement and control of workplace hazards; (2) technical expertise and advice with respect to construction and maritime issues; (3) regulatory studies and analyses required by Executive Order 12291, the Regulatory Flexibility Act, and the Paperwork Reduction Act; (4) environmental impact statements required by the National Environmental Policy Act; (5) variance determinations; (6) chemical analysis and equipment calibration; and (7) OSHA's Technical Data Center.

1991 Budget Request

The budget request will enable this activity to continue providing high quality technical support for OSHA's program operations. During 1991, the agency anticipates that the number of requests for sample analyses will continue to increase. Increased requests reflect additional agency health inspections, the emphasis on comprehensive inspections, the reduction of permissible exposure limits for many regulated substances and the addition of new regulated substances, and continued enforcement of the asbestos standard.

As a result of the national special emphasis program in ergonomics, the agency will focus and refine its technical support activities. The agency will initiate a series of publications designed to address ergonomic hazards and abatement techniques, and will undertake an educational campaign in trenching and excavation for compliance officers, employers and employees. Accident prevention training materials will be developed for tunneling and confined space hazards aboard ships. OSHA will increase its medical activities and reviews in the workplace. Liaison will be maintained with the Interagency Testing Committee, the National Cancer Institute, the National Institute for Occupational Safety and Health, and the National Toxicology Program. The agency will review state plan variance programs and continue to respond to requests for variance determinations. In accordance with the requirements of the President's Regulatory Program, OSHA will conduct approximately 30 regulatory analyses and environmental impact studies, some of which will be continuations of studies begun in previous years.

Workload/Output Measures:	1989 Actual	1990 Estimate	1991 Estimate
Laboratories:			
Chemical samples analyzed...............	56,816	58,000	59,750
Average turnaround (days in lab)........	14	14	14
Sample backlog..........................	1,000	1,200	1,200

Laboratories (Cont.)	1989 Actual	1990 Estimate	1991 Estimate
Equipment units calibrated	15,298	16,000	16,000
Average turnaround (days)	13	13	13
Equipment units repaired	2,995	3,000	3,000
Average turnaround (days)	13	13	13
Economic and environmental studies	30	30	30

1990

During 1990, OSHA will continue to perform laboratory services according to nationally recognized standards. The agency will conduct an increased number of sample analyses. This increase will result from several health initiatives, including stricter enforcement of the lead and arsenic standards and new PELs for hundreds of hazardous substances. An increase in sample backlogs will occur due to the more labor-intensive laboratory testing of soil and dust samples. Technical support will be provided for OSHA's national special emphasis program in ergonomics, directed at large meat-packing plants. Staffing and orientation for OSHA's new office of construction, maritime and health engineering will be completed. Recommended actions will be developed to prevent and mitigate disasters such as the explosion at the Phillips Chemical Plant in Pasadena, Texas.

1989

During 1989, a new office of construction, maritime and health engineering support was established to provide highly technical engineering support in specialized areas, including onsite investigations of accidents and fatalities, analyzing the engineering feasibility of proposed abatements, standards and variances, providing advice on the impact of technological developments on OSHA standards priorities, and providing technical data for training programs.

Changes for 1991

Activity changes:

Built-in:	
Within-grades and promotions	$67,000
Annualization of pay increases effective January 1990	66,000
Extra day of pay in 1991	26,000
Pay increase effective January 1991	195,000
Special salary rates for industrial hygienists	44,000
Net costs of personnel benefits	43,000
Utilities, communications and other rent	31,000
Decrease in support costs associated with staff relocated from California	-400,000
Total built-in	$72,000
Net program	$787,000
FTE	+7

Technical Support for Targeted Program Initiatives

Proposal: To provide additional technical support for targeted program initiatives and other emerging safety and health issues.

Rationale: In recent years the seriousness and magnitude of work-induced muscular-skeletal disorders have emphasized the need for new enforcement and consultation strategies in ergonomics. The implementation of a national special emphasis program in ergonomics underscores the urgency of this effort. Additional resources are needed to expand the agency's technical capacity to support this program, and also to increase the agency's medical support staff for this and other targeted program emphases.

Program Effects: This proposal will provide $787,000 and seven FTE to expand technical support for OSHA's ergonomics program and to increase the agency's medical support staff. The request will assist OSHA's efforts to implement a national special emphasis program in ergonomics. OSHA will identify employer programs which have been successful in addressing cumulative trauma disorders. These programs will serve as models for other employers to demonstrate feasible methods to prevent these injuries. An enhanced medical support staff will contribute to the agency's ability to address physiological hazards related to ergonomics problems. Efforts will be initiated to examine specific causal relationships in cumulative trauma disorders, leading to the development of medically sound abatement methodologies. Additionally, the agency will have the capacity to focus on a number of other new and complex health issues, particularly those associated with biological hazards such as bloodborne pathogens.

Base:
FTE: 161 Estimate: $17,702,000

Program Increase:
FTE: +7 Estimate: $787,000

COMPLIANCE ASSISTANCE

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
108	$37,501,000	104	$36,874,000	-4	-$627,000	104	$38,053,000	--	+$1,179,000

1/ Included in the 1990 Estimate:

Reduction pursuant to P.L. 99-177	0 FTE;	-$499,000
Comparative transfer to DOL Academy and DOL Fitness Center	-2 FTE;	---
Ceiling adjustment for Office of Public Affairs	-2 FTE;	-$128,000

Introduction

This activity contributes to a balanced use of the authority vested in OSHA by the Congress through a variety of employer and employee assistance activities, including: (1) ensuring the availability of onsite consultative services for employers who request assistance in achieving voluntary compliance; (2) directing a competitive grants program to assist non-profit organizations in developing their own safety and health capabilities; (3) fostering and promoting Voluntary Protection Programs (VPPs) that give recognition to employers who establish exemplary occupational safety and health programs; (4) providing courses through the OSHA Training Institute to increase the technical safety and health competence of Federal, state and private sector employers, employees and their representatives; and (5) providing leadership, in accordance with Executive Order 12196, to assist Federal agencies in establishing and maintaining effective occupational safety and health programs for their employees.

1991 Budget Request

The budget request for this activity will enable the agency to support programs and activities which contribute to a balanced occupational safety and health program. OSHA will conduct approximately the same number of consultation visits as in 1989 and 1990, while continuing to emphasize comprehensive initial visits that include program assistance and training to employers. The agency will utilize $779,000 no longer required to support current New Directions grants to fund targeted training grants. These grants will provide greater flexibility in responding to external needs for training in new standards and specialized areas. Eligibility will be extended to a larger variety of non-profit organizations. Grants will be targeted to areas of concern at both the national and regional levels. The grants will cover a period of six months for planning and one to two years for implementation. Subject areas which might be addressed include hazard communication training in construction, hazardous waste, ergonomics and meat-packing.

The agency's continuing efforts to publicize the benefits and successes of VPPs are expected to raise the number of participating organizations to 95 in 1991. The total number of persons trained and the number of training hours provided at the OSHA Training Institute will be maintained at the 1989 and 1990 levels. OSHA will provide technical assistance and training to Federal agencies and evaluate selected Federal safety and health programs.

Workload/Output Measures:	1989 Actual	1990 Estimate	1991 Estimate
Consultation Visits:	25,919	26,000	26,000
Initial visits	20,890	20,955	20,955
Training & assistance visits	2,048	2,055	2,055
Follow-up visits	2,981	2,990	2,990
No. of States and Jurisdictions Covered:	46	46	46
Plan states	15	15	15
Non-plan states	31	31	31
Budget authority	$24,181,000	$24,981,000	$25,980,000
Training Grants:			
Targeted training grants	—	12	12
New Directions grants	28	22	20
Grant Payments:			
Targeted training grants	—	$379,000	$779,000
New Directions grants	$2,075,000	$1,200,000	$800,000

1990

In 1990, OSHA will continue to provide a mix of regulatory and non-regulatory activities. The agency will maintain approximately the same level of consultation activity as in 1989. OSHA will continue to fund 22 New Directions grants and support 12 new targeted training grants as New Directions participants complete their grant cycles. The agency will utilize $379,000 in grant funds not required by current New Directions grantees to begin funding these targeted training grants aimed toward special emphasis areas.

The number of worksites participating in VPPs is expected to reach 80. The typical VPP onsite visit covers approximately ten times as many employees as an average compliance inspection. Courses at the Training Institute will reflect many of the agency's new initiatives and standards, including courses addressing new recordkeeping procedures and ergonomics.

1989

During 1989, OSHA conducted an increased number of initial onsite consultation visits as well as training and assistance visits. The comprehensive nature of these visits reduced the number of follow-ups needed to verify that hazards had been corrected. The agency continued to support 28 New Directions grants originally awarded in Rounds 3 and 4. The success of VPP worksites in holding their average lost workday rates to 30 percent of the average experienced by firms in their industries provided a strong basis for encouraging other workplace managers to implement the VPP requirements. Sixty-four worksites participated in the program during 1989.

Changes for 1991

Activity Changes:

Built-in:	
Within-grades and promotions	$60,000
Annualization of pay increase effective January 1990	60,000
Extra day of pay in 1991	20,000
Pay increase effective January 1991	177,000
Net costs of personnel benefits	15,000
GSA rent	52,000
Utilities, communications and other rent	16,000
Consultation program	999,000
Decrease in support costs associated with staff relocated from California	-220,000
Total Built-in	$1,179,000

SAFETY AND HEALTH STATISTICS

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
50	$22,992,000	50	$22,686,000	--	-$306,000	50	$30,391,000	—	+$7,705,000

1/ Included in the 1990 Estimate:
Reduction pursuant to P.L. 99-177 0 FTE; -$306,000

Introduction

This activity provides for the collection and dissemination of data on occupational fatalities, injuries and illnesses to identify program needs and measure the effect of activities conducted under the Occupational Safety and Health Act. These data are essential for planning and evaluating the OSHA program, for measuring progress in reducing hazards in the workplace, for identifying industries and occupations with the most serious safety and health problems, for monitoring the performance of states operating under section 18(b) plans, and for targeting the consultation, enforcement, standards-setting, and training activities. Annual statistical surveys of a nationwide sample of employers provide data on incidence rates and other measures of work-related injuries and illnesses. This activity also provides fifty percent Federal matching grants to states to support the collection of statewide statistical data on the incidence of job-related fatalities, injuries and illnesses. Special statistical studies and analyses are conducted as necessary. The Integrated Management Information System (IMIS) provides management information and statistical support for all aspects of OSHA's programs and field operations.

1991 Budget Request

The budget request will allow the Bureau of Labor Statistics (BLS) to continue basic data collection, processing and reporting activities at the same time that it continues with the restructuring of the occupational safety and health statistics program initiated in 1989. Results of the 18th annual survey of occupational injuries and illnesses will be published. Annual survey data are used to target programmed high-hazard inspections, and to monitor the performance of approved state occupational safety and health programs. In 1991, the Supplementary Data System (SDS) will process calendar year 1990 data from 14 participating states on characteristics of injured workers and the nature of occupational injuries and illnesses. FY 1991 is scheduled to be the last year for the SDS program.

OSHA will initiate a phased program to replace current IMIS equipment and to expand program support for field offices through improved microcomputer applications. The IMIS provides current and accurate information for both day-to-day operations and program evaluation. The updated system will allow more efficient Federal monitoring of state program operations, and provide an improved system for tracking and updating information on penalty assessments and collections.

Workload/Output Measures:	1989 Actual	1990 Estimate	1991 Estimate
BLS Financing:			
State statistical grants:			
Number of statistical grants......	42	43	44
Amount of grants..................	$3,227,000	$3,334,000	$6,667,000
BLS Reimbursable Program:	$6,514,000	$8,972,000	$10,673,000
BLS State Contracts:	$899,000	$887,000	$922,000
Number of participating states:			
Current injury/illness survey:	44	44	44
Redesigned survey (pilots):	12	12	12
Fatal work injury data system:			
Pilots............................	1	2	2
Surveys...........................	-	-	9
Supplementary data system:	14	14	-
Work-injury reports:	1	1	1

1990

In 1990, the statistical activity is continuing to supply the data needed to support agency operations. Results of the 17th annual survey, covering calendar year 1988, were published in November 1989. The survey recorded a 6.7 percent increase in the total number of private sector injuries and illnesses, from 6 million in calendar year 1987 to 6.4 million in calendar year 1988. The workplace injury and illness rate rose from 8.3 to 8.6 per 100 full-time workers. These increases may be attributed in part to ongoing efforts by BLS and OSHA to improve employer understanding of recordkeeping requirements, coupled with increased emphasis on monitoring employer records.

OSHA and BLS have started development of a comprehensive national occupational safety and health data system that will provide greater detail on the incidence and characteristics of work-related injuries and illnesses. Pilot testing of revised recordkeeping and collection methods begun in 1989 will continue in 1990. Redesigned statistical and computer systems to support national and state demographic and case estimates will be developed.

1989

In 1989, OSHA and BLS evaluated a two-year study conducted by the National Academy of Sciences (NAS) on employers' recordkeeping procedures and the accuracy of the data. Based on this evaluation, a plan was developed for restructuring the annual survey. The results of the 16th annual survey, covering calendar year 1987, were published in November 1988. The survey recorded a seven percent increase in the total number of private sector injuries and illnesses, from 5.6 million in calendar year 1986 to 6 million in calendar year 1987. The workplace injury and illness rate rose from 7.9 to 8.3 per 100 full-time workers.

Changes for 1991

Activity Changes:

Built-in:	
Within-grades and promotions	$20,000
Annualization of pay increases effective January 1990	20,000
Extra day of pay in 1991	8,000
Pay increase effective January 1991	84,000
Pay increase for BLS effective January 1991	174,000
Net costs of personnel benefits	23,000
Utilities, communications and other rent	110,000
BLS transfers	762,000
BLS statistical grants	133,000
Decrease in support costs associated with staff relocated from California	-857,000
Total Built-in	$477,000
Net Program	$7,228,000
FTE	—

Redesign of Statistical System

Proposal: To fund the implementation of the restructuring of the BLS occupational safety and health statistical system and begin development of a fatal occupational injury data system.

Rationale: The 1987 NAS study of recordkeeping procedures and data accuracy indicated the need for a comprehensive national data system that will provide greater detail on the incidence and characteristics of work-related injuries and illnesses; and a system to compile complete rosters of occupational fatalities by accessing death certificates, medical examiner records, workers' compensation fatality claims and reports to OSHA.

Program Effects: This proposal will provide $800,000 for the Bureau of Labor Statistics to implement the multi-year redesign of the occupational safety and health statistics program initiated in 1990 and to develop a fatal occupational data system. In addition, the proposal provides $3,200,000 to the state agencies to implement the redesigned survey and the fatal occupational injury data system. Specifically, the resources will enhance the States' data collection capabilities by providing computer hardware, software systems and the telephone lines to enable the electronic transfer of data for each state.

The redesigned system will provide national estimates on the details of workplace injuries and illnesses as well as the characteristics of the workers involved. The detailed information will include the characteristics of the injured/ill workers, types of injuries/illnesses, parts of the body, lost workday rates associated with each category, and other indications of the severity of the injury/illness. The redesigned program will be implemented in calendar year 1992. The fatal occupational injury data system will provide a complete count of fatal workplace injuries. During 1991, nine states will implement the fatal injury data system. The fatal injury data system should be operational across all states in 1992.

Base:
FTE: -- Estimate: $14,262,000

Program Increase
FTE: -- Estimate: $4,000,000

Replacement of IMIS Equipment

Proposal: To fund the first year of a three-year plan to replace existing IMIS computer equipment in all field offices.

Rationale: OSHA proposes to replace current Altos microcomputer equipment over a three-year period with a multiuser UNIX system which will satisfy GSA requirements for updated equipment in all Federal offices and all state plan and consultation programs. This system will permit compatibility with the Department's ITA-2000 architecture by allowing MS-DOS programs to run under the UNIX environment. The current equipment obtained in 1984 will be eight years old, while supplementary equipment obtained in 1988 will be four years old in 1991. Given its ages, maintenance of the equipment will become virtually impossible because of a lack of replacement components.

Program Effects: This proposal will provide $3,228,000 to begin a three-year plan to achieve a fully compatible IMIS system in all offices. During the first year OSHA proposes to focus on five major tasks. Major software modifications will be required to convert the current compliance applications to the new computer architecture. Following the software conversion, preparation of programmer and user documentation and development of a user training capacity will enable the agency to initiate new systems implementation in those Federal offices with the oldest equipment. Work will also be initiated to provide systems connectivity and an agency CD-ROM application. The new system will support increased efficiency of area office operations by providing access to data on targeting, information to support inspection preparation, and access to a variety of scientific and technical data bases. The new equipment will improve the accounting system for the collection of penalties assessed under the Act, and allow more efficient citation preparation and processing. The system will build on current investments in hardware, software and personnel experience, thereby minimizing installation, programming and training costs.

Base:
FTE: 42 Estimate: $8,275,000

Program Increase:
FTE: -- Estimate: $3,228,000

EXECUTIVE DIRECTION AND ADMINISTRATION

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
62	$6,093,000	62	$6,012,000	--	-$81,000	62	$6,533,000	--	+$521,000

1/ Included in the 1990 Estimate:
Reduction pursuant to P.L. 99-177 0 FTE; -$81,000

Introduction

This activity provides overall direction and administrative support for the Occupational Safety and Health Administration, including coordination of policy, research, planning, evaluation, internal management, budgeting, financial control, legislative liaison, and Federal agency liaison.

1991 Budget Request

The budget request will allow this activity to provide effective leadership, direction, and management of agency resources. OSHA's Integrated Management System (IMS), in coordination with the Secretary's Management System, provides a framework for reviewing the efficiency and effectiveness of agency programs. The agency uses management objectives, operating targets, performance indicators, a program evaluation system, and periodic performance reviews to measure its progress and to establish new goals.

During 1991, OSHA will continue to improve its data and targeting systems in keeping with the restructuring of the occupational safety and health statistical system. OSHA will monitor the progress of recordkeeping improvements undertaken by BLS, and will participate in decisions concerning the new procedures. Evaluation of the hazard communication standard will be completed. The agency will assess the adequacy of efforts to determine the effectiveness of safety and health programs established by employers in general industry, construction, shipyards, and longshoring. Revisions will be made to the regulatory system to facilitate the updating of PELs.

1990

During 1990, OSHA will develop methodologies to assess the utility of the exposure monitoring and medical surveillance provisions of several health standards. Pilot projects may be instituted to test new targeting methods, possibly including the use of establishment fatality data. Particular efforts will be focused on construction targeting, including OSHA's national emphasis program on trenching and excavation. Compliance officers will emphasize requirements for effective safety and health programs and training at construction worksites.

1989

In 1989, OSHA established new procedures for calculating proposed penalties for willful, repeat and high-gravity serious violations, and for failure to abate previously cited violations. These procedures produced record penalties for egregious violations of safety, health and recordkeeping requirements. The penalty process is used to emphasize the seriousness of willful and repeat violations, and to multiply the deterrent effect of individual inspections. OSHA began assessing the effectiveness of various provisions of the hazard communication standard.

Changes for 1991

Activity Changes:

Built-in:

Within grades and promotions	$42,000
Annualization of pay increase effective January 1990	42,000
Extra day of pay in 1991	13,000
Pay increase effective January 1991	113,000
Net costs of personnel benefits	36,000
Printing	275,000
Total Built-in	$521,000

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RESPONSIBILITY FOR COMPLIANCE EFFORTS
STATE TABLES

State	1990	1991
Alabama	F	F
Alaska	S	S
Arizona	S	S
Arkansas	F	F
California	S	S
Colorado	F	F
Connecticut 1/	F	F
Delaware	F	F
District of Columbia	F	F
Florida	F	F
Georgia	F	F
Hawaii	S	S
Idaho	F	F
Illinois	F	F
Indiana	S	S
Iowa	S	S
Kansas	F	F
Kentucky	S	S
Louisiana	F	F
Maine	F	F
Maryland	S	S
Massachusetts	F	F
Michigan	S	S
Minnesota	S	S
Mississippi	F	F
Missouri	F	F
Montana	F	F
Nebraska	F	F
Nevada	S	S
New Hampshire	F	F
New Jersey	F	F
New Mexico	S	S
New York 1/	F	F
North Carolina	S	S
North Dakota	F	F
Ohio	F	F
Oklahoma	F	F
Oregon	S	S
Pennsylvania	F	F
Rhode Island	F	F

S: Enforcement responsibility exercised by state personnel operating under an approved section 18(b) state plan.

F: Enforcement responsibility exercised by Federal personnel.

1/ State plan covers public employees only.

State	1990	1991
South Carolina	S	S
South Dakota	F	F
Tennessee	S	S
Texas	F	F
Utah	S	S
Vermont	S	S
Virginia	S	S
Washington	S	S
West Virginia	F	F
Wisconsin	F	F
Wyoming	S	S
American Samoa	F	F
Guam	F	F
Puerto Rico	S	S
Virgin Islands	S	S
Trust Territories of Pacific Islands	F	F

S: Enforcement responsibility exercised by state personnel operating under an approved section 18(b) state plan.

F: Enforcement responsibility exercised by Federal personnel.

NEW POSITIONS REQUESTED

	1991		
Activity 2 Federal Enforcement	Grade	Number	Annual Salary
Field Office			
Safety and Health Supervisor................	GM-13	3	$131,664
Safety Specialist............................	GS-12	4	147,628
Industrial Hygienist.........................	GS-12	2	76,200
Safety Specialist............................	GS-11	3	92,379
Industrial Hygienist.........................	GS-11	2	65,434
Safety Specialist............................	GS-09	3	76,353
Industrial Hygienist.........................	GS-09	2	57,262
Safety Specialist............................	GS-07	2	41,610
Industrial Hygienist.........................	GS-07	1	23,405
Clerical.....................................	GS-05	5	89,588
Subtotal.....................................		27	$801,523
Activity 3 Technical Support			
National Office			
Medical Officer..............................	GM-15	1	75,500
Industrial Engineer..........................	GS-14	1	51,862
Industrial Engineer..........................	GS-13	1	43,888
Health Science Specialist....................	GS-12	2	73,814
Program Analyst..............................	GS-09	1	25,451
Technician...................................	GS-05	1	17,357
Subtotal.....................................		7	$287,872
Total, New Positions.........................		34	$1,089,395

ADVISORY AND ASSISTANCE SERVICES [1/]

	FY 1990	FY 1991	Change
Type of Services			
Advisory and Assistance Services..............	$4,614,000	$4,814,000	+$200,000
Personnel Appointments			
a. Consultants and experts.................	50,000	50,000	-
TOTAL......................................	$4,664,000	$4,864,000	+$200,000

JUSTIFICATION OF FY 1991 REQUEST

Safety and Health Standards ($490,000):

Advisory and Assistance Services: Funds are utilized for special studies and analyses required for standards development activities, including the development of risk assessment studies and industry profiles.

Federal Enforcement ($200,000):

Advisory and Assistance Services: Funds are utilized for a variety of technical and specialized services required for enforcement related investigations including the analysis and prevention of major workplace catastrophes and areas of continued high risk to workers.

Technical Support ($3,565,000):

Advisory and Assistance Services: Funds are utilized for regulatory studies and analyses required by Executive Order 12291, the Regulatory Flexibility Act and the Paperwork Reduction Act and environmental impact statements required by the National Environmental Policy Act. Funds are also utilized for outside assistance in construction and medically related areas requiring specialized expertise.

Compliance Assistance ($250,000):

Advisory and Assistance Services: Funds are utilized for expert assistance in providing specialized, technical training for agency compliance safety and health officers to assure that the agency maintains a cadre of competent professional staff.

Executive Direction ($359,000):

Advisory and Assistance Services ($309,000): Funds are utilized for a variety of professional services including assistance in program evaluation and review, program development and policy review. Contractor support is utilized for studies relating to a variety of agency issues in these catagories. Funds are also utilized for numerous short term purchase order consultant contracts by the various agency directorates and offices to provide assistance in areas requiring specialized expertise.

Personnel Appointments ($50,000): Funds are utilized by the Office of the Assistant Secretary to obtain short term expert assistance on specific projects such as analyses of program and organizational effectiveness.

1/ The Cabinet Council on Management and Administration (CCMA) defines advisory and assistance services as those activities funded under six categories of procurements found in the Federal Procurement Data System. These categories include: 1) Management and Professional Services, 2) Special Studies and Analyses, 3) Management and Support Services for Research and Demonstration, 4) Training, 5) Management Review of Program Funded Organizations, and 6) Public Relations.

STANDARD FORM 306
July 1965, Bureau of the Budget
Circular No. A-11, Revised.
304-108

OSHA-39

DETAIL OF PERMANENT POSITIONS

OSHA S & E	19 89 actual	19 90 estimate	19 91 estimate
Executive level I..............................			
Executive level II.............................			
Executive level IV.............................			
Executive level IV.............................	1	1	1
Executive level V..............................			
Subtotal..........................	1	1	1
ES-6...			
ES-5...	1	2	2
ES-4...	11	12	12
ES-3...	2	4	4
ES-2...	5	2	2
ES-1...	3	2	2
Subtotal..........................	22	22	22
GS-18..			
GS-17..			
GS-16..			
GS/GM-15.......................................	55	55	56
GS/GM-14.......................................	153	153	154
GS/GM-13.......................................	396	400	404
GS/GM-12.......................................	637	627	635
GS-11..	533	503	508
GS-10..	3	3	3
GS-9...	133	135	141
GS-8...	7	7	7
GS-7...	109	120	123
GS-6...	108	112	112
GS-5...	177	170	176
GS-4...	115	125	125
GS-3...	65	65	65
GS-2...	15	15	15
GS-1...			
Subtotal..........................	2,506	2,490	2,524
Total Permanent Positions......................	2,529	2,513	2,547
Unfilled Positions, end-of-year................	259	102	102
Total Permanent Employment, end-of-year[1/]......	2,270	2,411	2,445
1/ Included in the Total			
Occupational Safety and Health Admin. S&E.	(2,265)	(2,399)	(2,433)
EPA Superfund Activities.................	(5)	(12)	(12)
(Mono cast: 16.3)	(Mono cast: 4.8)	(Mono cast: 4.9)	(Mono cast: 4)

WEDNESDAY, MARCH 7, 1990.

MINE SAFETY AND HEALTH ADMINISTRATION

WITNESSES

WILLIAM J. TATTERSALL, ASSISTANT SECRETARY FOR MINE SAFETY AND HEALTH

HARVEY S. LEWIS, CHIEF, BUDGET AND FINANCE DIVISION

MARVIN W. NICHOLS, JR., ADMINISTRATOR, METAL AND NONMETAL MINE SAFETY AND HEALTH

JERRY L. SPICER, ADMINISTRATOR, COAL MINE SAFETY AND HEALTH

PATRICIA SILVEY, DIRECTOR, OFFICE OF STANDARDS, REGULATIONS AND VARIANCES

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

INTRODUCTION OF WITNESSES

Mr. NATCHER. At this time we take up the budget request for fiscal year 1991 for the Mine Safety and Health Administration, and we have before the committee Mr. William J. Tattersall. Mr. Tattersall, who do you have with you there at the table?

Mr. TATTERSALL. Yes, sir, good afternoon, Mr. Chairman.

I have on my right, Mr. Harvey Lewis, who is Chief of the Budget and Finance Division. I have to my far left, Marvin Nichols, Jr. He is Administrator of Metal and Nonmetal Mine Safety and Health. I have Patricia Silvey next to him, and Pat Silvey is our Director of the Office of Standards, Regulations and Variances.

Next to me on my immediate left is Jerry Spicer. He is Administrator of Coal Mine Safety and Health, and to my far right I have Jim McMullen, as you know.

OPENING STATEMENT

Mr. NATCHER. Thank you, Mr. Tattersall, and now we would be pleased to hear from you at this time.

Mr. TATTERSALL. Yes, sir.

Mr. Chairman and members of the subcommittee, I am pleased to appear before you to discuss the fiscal year 1991 appropriations request for the Mine Safety and Health Administration. The budget now before you requests $172,500,000, and 2638 staff years to conduct mine safety and health activities. It provides resources to perform all mandated inspections and other activities required by the Mine Safety and Health Act of 1977. The request represents an increase of $4,402,000, and a decrease of 50 staff years from 1990.

The increase in funds consists of funding requests for standards development, equipment needs in our coal and technical support programs, facilities repair and maintenance at the National Mine Health and Safety Academy in Beckley, West Virginia, the leasing of motor vehicles and net mandatory cost increases offset by program decreases due to budgetary constraints.

Before we discuss the budget request for fiscal year 1991, I would like to outline MSHA's role in mine safety and health. MSHA is one member of a safety and health team. Cooperative efforts by management, labor and government must be undertaken to further improve mine safety and health.

The primary responsibility of the Mine Safety and Health Administration is to ensure compliance with the Mine Safety and Health Act of 1977 through the conduct of all mandated inspections. Equally important are efforts to prevent injuries and illnesses through technical and educational assistance.

In addition to continued strong enforcement of the Mine Act, the safety awareness of mine employees must be increased. Familiarity with the mining environment can lead to reduced vigilance, increasing the likelihood of accidents and injuries. Training and safety awareness is critical in addressing this problem.

Mr. Chairman, that concludes my brief summary statement. I appreciate this opportunity to appear before you and welcome any questions you might have.

[The information follows:]

Statement by William J. Tattersall
Assistant Secretary
Appropriations Subcommittee
Fiscal Year 1991 Budget Request
Mine Safety and Health Administration
Salaries and Expenses

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you to discuss the fiscal year 1991 appropriation request for the Mine Safety and Health Administration (MSHA).

This budget now before you requests $172,500,000 and 2,638 staff years to conduct mine safety and health activities. It provides resources to perform all mandated inspections and other activities required by the Mine Safety and Health Act of 1977. The request represents an increase of $4,402,000 and a decrease of 50 staff years from 1990. The increase consists of funding requests for standards development, equipment needs in our Coal and Technical Support programs, facilities repair and maintenance at the National Mine Health and Safety Academy, the leasing of motor vehicles, and net mandatory cost increases offset by program decreases due to budgetary constraints.

Before we discuss the budget request for fiscal year 1991, I would like to outline MSHA's role in mine safety and health. MSHA is one member of a safety and health team. Cooperative efforts by management, labor and government must be undertaken to further improve mine safety and health. The primary responsibility of the Mine Safety and Health Administration is to ensure compliance with the Mine Safety and Health Act of 1977 through the conduct of all mandated inspections. Equally important are efforts to prevent injuries and illnesses through technical and educational assistance. In addition to continued strong enforcement of the Act, the safety awareness of mine employees must be increased. Familiarity with the mining environment can lead to reduced vigilance, increasing the likelihood of accidents and injuries. Training and safety awareness is critical in addressing this problem.

During the past year, MSHA made special efforts to improve the safety and health of miners through a variety of enforcement initiatives. Illegal coal mining operations were the target of a special agency task force to identify and prosecute violators. These operators evade inspection and are known for lax safety practices and dangerous conditions. Audits of accident and injury reporting practices and investigations of possible criminal violations of the Mine Act received high priority. We are continuing these efforts in 1990 and 1991.

As part of the Department's and MSHA's program to develop better regulations, final rules were published in 1989 addressing explosives and blasting hazards at underground coal mines, automatic emergency brakes and warning devices on mine vehicles, and electric mine lamps. A number of other regulations, including pattern of violations, air quality, and explosives at metal and nonmetal mines were proposed in 1989 and are expected to be in place by 1991. MSHA's 1990 regulatory agenda includes standards for diesel-powered equipment in underground coal mines, hazard communication, ventilation in underground coal mines, mine electrical hazards, and accident, injury, and illness reporting requirements. Our regulatory and policy goals are directed at updating standards to reflect technological advancements and addressing all known mining hazards.

MSHA developed many types of educational programs and products in 1989 to promote accident prevention and health training. Problem areas such as roof falls and independent contractor fatalities were targeted for special emphasis in 1989 through the production of video programs, seminars, and other presentations. Cooperative efforts with labor and industry were undertaken to address substance abuse in the work place. Miner training and other informational programs are now accessible by satellite from the National Mine Health and Safety Academy.

We have also improved our preparedness for mine emergencies by establishing a centralized center equipped to receive and dispatch information, and by documenting in a manual the procedures to be followed during an emergency.

ENFORCEMENT

A total of $124.8 million and 2,034 staff years is requested in the budget for enforcement activities at both coal and metal and nonmetal mines. This is an increase of $4.7 million which will provide for the conduct of mine safety and health inspection events and more efficient and timely completion of standards. The request includes funds to replace aging self-contained self-rescuers carried by MSHA inspectors, to lease motor vehicles for transportation to mine sites, and to contract for special studies and analyses necessary for the development of safety and health standards. It also includes a reduction of 27 staff years due to budgetary constraints. The resources requested for 1991 will provide an estimated 29,600 regular health and safety inspections to meet all mandatory requirements of the Mine Act--four inspections of each active underground mine and two of each active surface mine. In addition to these inspections, the budget request includes resources for 61,100 other inspections, investigations and education and training activities.

ASSESSMENTS

A total of $2.3 million and 51 staff years is requested for the Assessments program for 1991. This is an increase of $21 thousand and a reduction of two staff years from 1990.

In both 1990 and 1991, the Assessment activity will continue to assess civil penalty cases, and to collect and account for all penalties paid.

EDUCATIONAL POLICY AND DEVELOPMENT

A total of $13.4 million and 92 staff years is requested for Educational Policy and Development in fiscal year 1991. This is an increase of $316 thousand and a reduction of 3 staff years. The request includes funds for repairs and maintenance at the National Mine Health and Safety Academy and for the replacement of Academy equipment. The Mine Academy will provide 38,000 student days of instruction in mine safety and health subjects in 1991. A total of $5.9 million is included for the State Grants program in 1991 for 47 participating states.

TECHNICAL SUPPORT

A total of $20.6 million and 302 staff years is requested for Technical Support activities in 1991. This is an increase of $370 thousand and a reduction of 12 staff years. The request includes funds to replace aging field and laboratory equipment and to lease motor vehicles for the transportation of technical personnel to mine sites.

The Technical Support activity will continue to provide direct support to MSHA's enforcement activities by making its technical expertise available to solve mining problems to further the health and safety of miners.

PROGRAM ADMINISTRATION

A total of $11.4 million and 159 staff years is requested for Program Administration, a reduction of $1.0 million and 6 staff years. Included in this request, is a program decrease for ADP equipment, computer time and support services. The Program Administration activity will provide policy direction and administrative support for MSHA's safety and health programs.

CONCLUSION

Mr. Chairman, that concludes my prepared statement. I appreciate this opportunity to appear before you and welcome any questions you have.

Biographical Sketch

WILLIAM J. TATTERSALL

Assistant Secretary

Mine Safety and Health Administration

Department of Labor

William J. Tattersall was confirmed as Assistant Secretary of Labor for Mine Safety and Health on October 5, 1989. Prior to his appointment he was deputy secretary general of the International Iron and Steel Institute in Brussels, Belgium since 1979. Before joining the Institute, Mr. Tattersall worked 23 years for Bethlehem Steel, where his responsibilities included matters relating to mine safety.

From 1970 to 1973, Mr. Tattersall was labor counsel to the National Bituminous Coal Wage Negotiations with the United Mine Workers of America. He also served as executive vice president of the Bituminous Coal Operators Association.

Mr. Tattersall was born in Wilkes-Barre, Pennsylvania. He received a bachelor's degree in English from Moravian College, Bethlehem, Pennsylvania and a doctor of jurisprudence degree from De Paul University, Chicago, Illinois.

Mr. Tattersall is a member of the American Bar Association and the Illinois State Bar Association. He has been listed in Who's Who in American Law and in Who's Who in the World.

ASSISTANT SECRETARY POSITION

Mr. **Natcher**. Thank you, Mr. Tattersall. How long have you been the Assistant Secretary?

Mr. **Tattersall**. I was confirmed by the Senate, Mr. Chairman, on October the 10th of 1989.

Mr. **Natcher**. Just for the record, tell us a little bit about your employment background.

Mr. **Tattersall**. Mr. Chairman, I heard you say yesterday to Mr. Hoyer that it took you 35 years to get to the chair. It took me 35 years to get to where I am here today. Time flies whether you are having fun or not.

I started as a laborer in the steel industry. I was a member of the United Mine Workers of America, District 50, and I was a member of the United Steelworkers of America. I worked my way through college and law school, at which time I became a lawyer for the Bethlehem Steel Corporation.

I spent 10 years of that employment representing the steel industry in coal mining matters. I represented the steel industry in bargaining negotiations with the United Mine Workers of America on several occasions. Since 1979, ten years ago, I have represented the American steel industry in an international organization headquartered in Brussels, Belgium, and in that post, I was responsible for the safety and health and human resources, with respect to the steel industries that we represented, in 45 countries.

MANAGEMENT CHANGES

Mr. **Natcher**. Have you made any significant management or organizational changes since taking over, Mr. Tattersall?

Mr. **Tattersall**. Mr. Chairman, whether they are significant or not remains to be seen. I have appointed a Deputy Assistant Secretary, Mr. John Howerton, who is here with me today, and I have also looked at the responsibility that we incur when a disaster occurs. On September the 15th, unfortunately there was a disaster in Kentucky, in your home state, where ten miners were killed in the Pyro disaster. Even though everyone in MSHA knew what to do individually, there was no coordinated plan as to how they responded to each other. Therefore, I established a committee to develop a crisis manual that has just been printed. Not only does each member of MSHA know what to do, but they know what everyone else is supposed to do.

So, these are the two changes that I have made.

Mr. **Natcher**. At the present time, how do you feel generally about the agency? Is it functioning as it should be, Mr. Tattersall?

Mr. **Tattersall**. Mr. Chairman, I believe I am in charge of one of the finest agencies in the American government. They are dedicated, professional career people; and their sole goal is the safety and health of the miners of America.

TOP POSITIONS IN THE AGENCY

Mr. **Natcher**. Are all of the top positions in the agency filled at this time?

Mr. **Tattersall**. All but one, which is the Deputy Administrator's position in metal and nonmetal.

Mr. **Natcher**. How many of the agency's top jobs are classified as noncareer jobs?

Mr. **Tattersall**. Five, Mr. Chairman.

IMPACT OF REDUCTIONS IN 1990

Mr. **Natcher**. The agency, as you well know, incurred a 1990 sequester under Gramm-Rudman-Hollings in the amount of $2,367,000. What impact is the reduction having on the agency's operations at this time?

Mr. **Tattersall**. Mr. Chairman, when we analyzed the budget, looked at our staffing, and determined our goals, we saw that we were able to carry out the dictates and the mandates of the Mine Act, which we are responsible for enforcing, with the number of people that we have on board. For the 1991 budget, however, it is going to have to be reduced if we are going to stay within the constraints under which we have been working.

Mr. **Natcher**. Is your employment reduction of 97 in 1990 a little high in relation to the dollar amount of the sequester?

Mr. **Tattersall**. I don't believe so, sir. I have my budget director here who can respond to that.

Mr. **Natcher**. What about it, Mr. Lewis? The average amount per full-time employee would be in the neighborhood, wouldn't it, of about $24,400? Wouldn't that be about the average?

Mr. **Lewis**. Sir, our average salary is higher than that, but the situation on the reduction is that in addition to the sequester amount we had to absorb the pay raise and several other unanticipated expenses in fiscal year 1990. Those together amounted to $7,500,000.

In order to deal with that shortfall in fiscal year 1990, we had to take several actions. We had to cut nonsalary costs across the board approximately 5 percent. We had to delay or forego program increases in the fiscal year 1990 budget, and in addition, we had to reduce employment by the FTE that you speak of.

So the total problem that the agency faced was larger than just the 1.4 percent Gramm-Rudman reduction.

1991 REQUEST

Mr. **Natcher**. In your 1991 budget request, Mr. Lewis, have you requested the amount sequestered in 1990? If not, tell us why.

Mr. **Lewis**. Sir, I think, as with most other agencies, we continue to face budget constraints, and the budget that we are submitting for 1991 is in line with those budget constraints; it does provide adequate resources for us to carry out our mission.

1990 REPROGRAMMING

Mr. **Natcher**. Are you planning to submit a 1990 reprogramming proposal to the committee at any time in the near future?

Mr. **Lewis**. Yes, Mr. Chairman.

Mr. **Natcher**. Give us some idea. What would be the purpose for the reprogramming?

Mr. **Lewis**. The primary purpose of the reprogramming is to shift money out of nonsalary costs, primarily in the equipment and contracting area into the salaries and benefits area.

1991 REQUEST

Mr. **Natcher**. The 1991 budget request, as you know, is for $172,500,000. This is an increase of about 2.6 percent. Are you keeping up with inflation here?

Mr. **Lewis**. Mr. Chairman, we have had to absorb certain costs, as you know. We believe that the budget as submitted is adequate to continue to conduct the mandated activities under the Mine Act.

Mr. **Natcher**. How much of the proposed 1991 pay increase are you budgeting?

Mr. **Lewis**. We have absorbed 50 percent, Mr. Chairman.

Mr. **Natcher**. How will you—what about the balance?

Mr. **Lewis**. We are having to absorb it by continuing to look to nonsalary costs and program decreases.

INJURIES AND FATALITIES

Mr. **Natcher**. Now, can you give us the data for mining injuries and fatalities for 1989, Mr. Tattersall, both for coal and for metal?

Mr. **Tattersall**. I am sorry, sir. You said for 1989?

Mr. **Natcher**. Yes. 1989.

Mr. **Tattersall**. In coal we had 67 fatalities. That was up from 1988, at which time it was 52, 10 of which were involved with the Pyro disaster. In metal and nonmetal, we were at an all-time low of 48 fatalities. For a total of 115, Mr. Chairman. The rates were .05 for coal and .02 for metal and nonmetal.

Mr. **Natcher**. What accounts for the increase in coal mine fatalities from 1988 to 1989?

Mr. **Tattersall**. It was 52 to 67, Mr. Chairman, and as I mentioned, ten of those unfortunately were from the Pyro mine disaster, one disaster in Kentucky. The additional five were roof falls and passageway accidents, the normal accidents that occur most often.

Mr. **Natcher**. The injury incidence rate for metal nonmetal mines was up in 1989. How do you explain that, Mr. Tattersall?

Mr. **Tattersall**. Several years ago, Mr. Natcher, MSHA began emphasizing to the industry the reporting requirements for accidents. Even though the number of actual injuries did not increase, the number of reported accidents did increase, resulting in the figures showing a rise. But it is a better reporting and disclosure procedure that is now in effect.

ACCIDENT AND INJURY REPORTING

Mr. **Natcher**. Have you made any further improvements since last year in the injury reporting system?

Mr. **Tattersall**. No, sir. It continues to be strict and stringent, and we feel that it is getting better and better all the time.

Mr. **Natcher**. How many coal——

Mr. **Tattersall**. Excuse me. Each accident that we have, unlike what you have just heard from my counterpart in OSHA, is reported immediately. Every lost time injury, including every hospitalization and every employee who must see a doctor, is reported and recorded. We have them in our records.

NUMBER OF INSPECTORS

Mr. **Natcher**. How many coal inspectors are currently on board?

Mr. **Tattersall**. In fiscal year 1990, we have budgeted for 793. We have projected 790 for fiscal year 1991. As of February the 10th we had 777 on board.

Mr. **Natcher**. What is your ceiling for coal inspectors?

Mr. **Tattersall**. The ceiling is 828. Today we have 777 on board.

Mr. **Natcher**. Can you give us the same numbers for metal and nonmetal inspectors?

Mr. **Tattersall**. Yes, sir. The ceiling is 373, and we have on board 360 at this time.

Mr. **Natcher**. How many new inspectors were hired in fiscal year 1989?

Mr. **Tattersall**. I will have to supply that for the record, Mr. Natcher.

Mr. **Natcher**. Supply that for the record. And also for the record, if you will, supply a chart showing inspector employment for the past five years.

[The information follows:]

Inspector Employment

In fiscal year 1989, the Mine Safety and Health Administration hired 86 inspectors. The chart below shows on board inspector employment at year end for the past five years:

1985	1,098
1986	1,020
1987	1,190
1988	1,162
1989	1,151

REDUCTION IN COAL MINE ENFORCEMENT

Mr. **Natcher**. Why are you proposing to reduce coal mine enforcement by 18 full-time employees in 1991?

Mr. **Tattersall**. It is due to budget constraints, Mr. Natcher, as previously suggested. We looked at our staff, our goals, and our accomplishments; and we believe that we will be able to accomplish our goals with the number of FTE proposed in the budget.

As an example, in 1989 for coal, we hit 98.3 percent of all underground mandated inspections. For surface mines we got 96.7 percent. Overall 97.6 percent of all inspections required by the Mine Act were conducted. That is consistent over the last 3 or 4 years.

Mr. **Natcher**. What impact would this reduction have, Mr. Tattersall?

Mr. **Tattersall**. Mr. Natcher, we don't believe that it will have any serious impact, certainly not on the mandatory inspections. We anticipate that there will be about 1,200 fewer nonmandatory inspections, but out of 57,000 overall, it is a relatively small amount and all in nonmandatory inspections.

Mr. **Natcher**. Would the 18 all be inspectors?

Mr. **Tattersall**. Three of those would be inspectors.

Mr. **Natcher**. Three of those. What about the others, the balance there, of 15?

Mr. **Tattersall**. We are reducing our staffing through natural attrition; no one will be RIF'd or laid off or furloughed. It is across the board, Mr. Natcher.

REDUCTION IN METAL AND NONMETAL ENFORCEMENT

Mr. **Natcher**. I believe you are also proposing a reduction of eight full-time employees in metal and nonmetal enforcement. Would these all be inspectors?

Mr. **Tattersall**. Yes, sir.

Mr. **Natcher**. Why is this being proposed and what would be the impact, Mr. Tattersall?

Mr. **Tattersall**. Again, Mr. Natcher, we do not believe that the mandatory requirements of the Mine Act will be affected in any way.

Mr. **Natcher**. Would it be a mistake to eliminate the program in accident reduction, and to virtually eliminate the compliance assistance visits program?

Mr. **Tattersall**. Well, we are not actually eliminating the compliance visits. They will be reduced. What has happened over the years from our study is that a number of the mining companies requesting these visits have been using us as their safety program. The ones that we will be reducing are those who consistently ask us to come back and do their safety program for them.

So again, we do not expect this to have any adverse effect, and if I did think it would, sir, I would be the first one to tell you.

Mr. **Natcher**. Mr. Tattersall, we want to thank you and your associates for appearing before our committee at this time on behalf of your budget request for the fiscal year 1991. It has been a good hearing, and thank you very much.

Mr. **Tattersall**. Thank you, sir.

Mr. **Natcher**. The committee will now adjourn until 10:00 in the morning.

[The following questions were submitted to be answered for the record and the justifications follow:]

COST OF PROPOSED EMPLOYMENT REDUCTIONS

Mr. Natcher: How much would it cost to restore the proposed employment reductions in 1991?

Mr. Tattersall: It will cost $3,167,000 to restore salaries and related benefits for the 50 FTE employment reduction in 1991.

FUNDING INCREASE FOR MOTOR VEHICLES

A Mr. Natcher: You're requesting a $500,000 increase for the leasing of automobiles from the General Services Administration. Why is this necessary?

Mr. Tattersall: MSHA compared cost/benefit data of three options in motor vehicle fleet management: MSHA-owned fleet, GSA-leased fleet and contractor-provided fleet. The result was that a GSA-leased fleet was the most cost effective option. Although in the initial year of conversion there will be a funding increase, program increases should not be necessary in subsequent years. MSHA will no longer have the expense of maintaining its own fleet.

Mr. Natcher: How many vehicles does the agency currently own?

Mr. Tattersall: MSHA currently owns about 422 vehicles which are used by inspection and technical support personnel for travel to mine sites.

Mr. Natcher: Will these all be transferred to GSA?

Mr. Tattersall: All of these vehicles will be transferred to GSA.

Mr. Natcher: Your bill language would still permit you to purchase up to 20 passenger motor vehicles in 1991. Is that still necessary?

Mr. Tattersall: Once funding is provided for the conversion to a GSA-leased fleet, it would no longer be necessary for MSHA to purchase passenger vehicles.

ADP BUDGET

A Mr. Natcher: Last year the Congress approved a substantial increase in your ADP budget, as you had requested. This year you're proposing to go in the other direction by cutting $1,100,000. What accounts for the change from last year to this year?

Mr. Tattersall: Budgetary constraints required a reduction in our ADP budget in order to direct resources to higher priority programs in the President's budget. In 1991 we are proposing a decrease because we have modified the schedule for our Information Systems Planning (ISP) project. We are continuing to pursue a course that satisfies our information technology objectives at the least possible cost to the Government.

Mr. Natcher: Are you spending the additional money that Congress approved in 1990?

Mr. Tattersall: We anticipate spending about $1,900,000 of the additional money that Congress approved in 1990 for our ADP budget. We requested approval to reprogram the remainder of the ADP increase in order to cover MSHA's pay needs.

CONTRACTS

Mr. Natcher: How much of your total budget is in the form of contracts?

Mr. Tattersall: About seven percent of our total budget is in the form of contracts for recurring services.

Mr. Natcher: For what main purpose do you utilize contracts?

Mr. Tattersall: MSHA utilizes contracts primarily for the operation and maintenance of MSHA facilities, information technology services and mine emergency operations.

NATIONAL MINE HEALTH AND SAFETY ACADEMY

Mr. Natcher: How much are you budgeting for the Mine Health and Safety Academy in 1990 and 1991?

Mr. Tattersall: The projected funding levels for the National Mine Health and Safety Academy in 1990 and 1991 are $5,626,000 and $5,885,000, respectively.

Mr. Natcher: What kind of shape are the Academy's facilities in generally?

Mr. Tattersall: The Academy's facilities are now 14 years old; and much of the original equipment, furniture and mechanical systems are at or near the end of their useful lives. We have developed a plan for the maintenance and refurbishment of the Academy's facilities that, if funded, would ensure that the facility would be maintained in usable condition.

VIOLATIONS AND PENALTIES

Mr. Natcher: How many violations of the Act were cited in 1989 by your inspectors?

Mr. Tattersall: In 1989, MSHA inspectors issued 159,180 citations and orders for violations of the Act, 109,723 at coal mines and 49,457 at metal and nonmetal operations.

Mr. Natcher: What was the total amount of penalties assessed?

Mr. Tattersall: The total amount of civil penalties assessed in fiscal year 1989 was approximately $16,400,000.

Mr. Natcher: How much of this was actually collected?

Mr. Tattersall: The amount actually collected in fiscal year 1989 was $13,461,903.

Mr. Natcher: How much of this was farmed out to private collection agencies?

Mr. Tattersall: No delinquent accounts were given to private collection agencies in fiscal year 1989. MSHA decided to withhold the referral of accounts to collection agencies until its revised Assessments Data Base Management system became operational. This revised system should be fully implemented in 1990; and MSHA estimates that approximately $1,000,000 in delinquent accounts will be referred to a private collection agency in the Spring of 1990.

AVERAGE PENALTY AMOUNT

Mr. Natcher: What was the average amount of each penalty in 1989?

Mr. Tattersall: The average assessment amount per violation was $103 in 1989.

CITATIONS APPEALED

Mr. Natcher: What percentage of your citations is appealed to the Federal Mine Safety and Health Review Commission?

Mr. Tattersall: About 3.5 percent of the total assessed violations in 1989 were appealed to the Federal Mine Safety and Health Review Commission.

CIVIL PENALTY REGULATIONS

Mr. Natcher: Last November the U.S. Court of Appeals for the D.C. Circuit ordered the agency to revise its civil penalty regulations, as we understand it. Can you explain this to the Committee?

Mr. Tattersall: On November 21, 1989, the United States Court of Appeals for the District of Columbia Circuit ordered the Mine Safety and Health Administration (MSHA) to revise its civil penalty regulations and to take immediate interim steps to correct defects in the assessment system. Specifically, the Court found unreasonable: (1) MSHA's failure to specifically take history into account in determining whether a violation qualifies for a $20 single penalty and (2) its failure to include single penalty violations in the history computation under the regular assessment.

Mr. Natcher: What steps have you taken in response to the Court's order?

Mr. Tattersall: As an interim measure, two changes were implemented. First, all assessed violations in a preceding 24 month period which have been paid or finally adjudicated are now included in the history computation for regular formula assessments. Previously, single penalty violations that were timely paid were not counted. Second, all non-serious ("non-S&S") violations involving high negligence and an excessive history of the same type of violation at the mine will now be reviewed for possible special assessment. These changes were announced in the Federal Register, on December 29, 1989. Since then MSHA has been preparing a revision to the assessment regulations which will be a permanent change to meet the court order.

STANDARDS ISSUED

10 Mr. Natcher: How many new or revised standards were issued in final form in 1989 and in 1990 to date? Provide a list of those for the record.

Mr. Tattersall: MSHA issued 7 final rules in 1989 and 3 in 1990 to date. They are listed below.

1989

Explosives and Blasting (Coal) 11/18/88
Approval of Explosives 11/18/88
Automatic Emergency Parking Brakes 03/24/89
Electric Mine Lamps Other than Cap Lamps 07/20/89
Certified and Qualified Persons (Coal) 07/20/89
Automatic Warning Devices (Coal) 07/20/89
Brattice Cloth & Vent Tubing in Gassy Mines (MNM) 07/20/89

1990 to Date

Multiple-Shot Blasting Unit Approval 11/21/89
Civil Penalties (interim final) 12/29/89
Roof Bolt and Roof Support Removal (Coal) 02/08/90

STANDARDS AND REGULATIONS IN PROCESS

Mr. Natcher: Also, provide a list of standards and regulations that are currently being worked on.

Mr. Tattersall: The following existing standards are under review for possible revisions:

Accident and Injury Reporting
Air Quality
Berm Alternative (M/NM)
Blasting Units in M/NM Mines with Methane
Boiler & Pressure Vessel Inspections (MNM)
Carbon Monoxide Monitor Approval
Civil Penalties
Confined Spaces
Conveyor Belt Approval
Detonator Approval
Diesel equipment - approval, exposure monitoring and safety
Electrical (Coal-Underground)
Electrical (M/NM)
Electric Cable & Splice Kit Approval
Electric Motor Assembly Approval
Explosives & Blasting (Coal--Court of Appeals litigation)
Explosives (M/MN)

Explosion-Proof Enclosure Approval
Hazard Communication
Hoisting & Transportation (Coal)
Impoundments (MNM)
Intrinsically-Safe Battery-Powered Device Approval
Noise
Pattern of Violations
Petition for Modification Procedures
Radiation (M/NM)
Recordkeeping Revisions
Refuse Pile and Impoundment Inspections (Coal)
Respiratory Protection Approval
Roof Support Amendments--Anthracite Mines
Training Regulation Revisions
Ventilation (Coal)
Waterlines in Belt Entries (Coal)

SIGNIFICANT STANDARDS

Mr. Natcher: What are the most significant standards that are currently in process?

Mr. Tattersall: The most significant standards currently in progress are:

Accident Injury Reporting
Air Quality
Civil Penalties
Diesel Equipment in Underground Coal
Electrical (Coal Underground)
Electrical (MNM)
Hazard Communication
Pattern of Violations
Training Regulation Revisions
Ventilation

FUNDING INCREASE IN STANDARDS PROGRAM

Mr. Natcher: Why are you requesting an increase of $270,000 for your standards program in 1991?

Mr. Tattersall: The fiscal year 1991 request includes $270,000 to fund regulatory analyses by private contractors for the standards on air quality and diesel-powered equipment in underground coal mines. Regulatory review necessitates an accurate and comprehensive analysis of the impact of the Agency's regulatory proposals on the nation's economy and health and safety of miners. Health standards, in particular, involve complex and often unique issues which must be assessed in order to estimate both costs and benefits. Such projects indicate a need for resources committed to providing a full analysis of the effects of regulatory proposals and alternatives. These analyses often require scientific expertise and facilities that are not available within the Agency. For many needs, for example, epidemiologists and biostatisticians, it would not be cost-effective for the Agency to have such capabilities in-house. As the Agency completes its review of several safety standards, increased emphasis will be placed on health standards. The use of contractors would allow the Agency to complete regulatory projects in a more efficient and timely manner, thereby more effectively meeting the Agency's mandate to improve the health and safety of miners.

Mr. Natcher: How many studies will you do for that amount?

Mr. Tattersall: Two studies would be funded by that amount, one for air quality exposure data collection and analysis and one for diesel equipment emission data and mining exposure data collection and analysis.

Mr. Natcher: Will these be competitive contracts?

Mr. Tattersall: Yes, the contracts would be competitive.

OCCUPATIONAL ILLNESSES

Mr. Natcher: The principal objective of MSHA is to prevent injuries and occupational disease -- such as black lung -- among miners. Not only will this make miners' lives better, it will also reduce compensation costs. Based on information you have now about miners' exposure to dust, noise, and other hazards such as diesel exhaust, how many cases of black lung or hearing loss or other diseases might we expect for the future? Can you show how much money might be saved in the future based on MSHA activity now?

Mr. Tattersall: It is difficult to predict the numbers of occupational diseases that might be expected in the future. It is even more complicated and difficult when the disease involves long term exposure or has a long latent period before it becomes evident. This is true for the major diseases of black lung, silicosis, and hearing loss.

However, we do know that substantial reductions in the average dust levels have been achieved in coal mines since passage of the Coal Mine Health and Safety Act in 1969, which required the control of respirable dust to prevent coal workers' pneumoconiosis or black lung. As a result the average concentration of respirable dust has dropped from 7.0 mg/m^3 to about 1.0 mg/m^3 today. The probability of developing this disease decreases correspondingly with decreases in dust concentrations. Nonetheless, we are decades away from seeing the results of this reduced risk as most black lung benefit awards are currently made to former miners who worked prior to promulgation of the current dust standard.

If current dust levels are maintained, based on the exposure-response curves developed by the Institute for Occupational Medicine, the present value of the cost of future compensation for the currently employed coal workforce is projected to be approximately $120 million.

Similar long-term estimates cannot be projected for other health hazards in coal and metal and nonmetal mining because the exposure data are lacking and the exposure-response curves have not been developed. Although there is uncertainty about the potential number of occupationally-related miner illnesses, MSHA is continuing its efforts to reduce miner exposure to environmental health hazards. These efforts should result in significant reductions in these cases and in the corresponding future compensation costs.

MSHA MISSION

Mr. Conte: Mr. Tattersall, the primary mission of MSHA is to insure a safe and healthy environment for this nation's miners. Will your budget request allow you to adequately carry out your mission?

Mr. Tattersall: The 1991 budget request will allow MSHA to adequately carry out its mission. All inspections and other activities mandated by the Federal Mine Safety and Health Act will be conducted. The budget request will also allow MSHA to continue providing technical and educational assistance to the mining industry, equally important in the prevention of accidents, injuries, and occupational illnesses.

INSPECTIONS INITIATED BY MINER COMPLAINTS

Mr. Conte: The Mine Safety and Health Act of 1977 requires MSHA to conduct regular and spot inspections of the mines. Of the almost 70 thousand inspections you'll do this year, how many will be initiated by complaints from miners?

Mr. Tattersall: In FY 1989, 251 inspections were conducted at coal mines as a result of complaints filed under Section 103(g) of the Mine Act. An additional 173 inspections resulted from complaints recorded on the hot line. We anticipate the same level of activity in FY 1990. At metal and nonmetal mines, about 120 will be initiated by written complaints from miners. A similar number will be initiated by oral complaints from miners.

MINER DISCRIMINATION COMPLAINTS

Mr. Conte: Under the Mine Safety and Health Act of 1977 employers are prohibited from firing or discriminating against employees who exercise their right to request an inspection. What can you tell us about your cases involving whistle-blowing and miners refusing to work because of unsafe conditions?

Mr. Tattersall: MSHA investigated 525 cases of alleged discrimination filed by coal miners and 123 by miners in the metal and nonmetal mining industry in FY 1989. Most of these involved employees who had reported safety hazards or refused to perform a job task that the employee felt was unsafe. The remaining cases were safety related, but would not fall under the category of whistle-blowing. Examples of these would be cases involving training, accidents on the job, injuries on the job, and employees suspected of filing a hazard complaint.

INSPECTIONS CONDUCTED

Mr. Conte: Last year it was reported that MSHA had conducted about 98 percent of their 4's and 2's inspections, a significant increase since being cited by GAO in 1984 for making only 60 percent of the required inspections. How do the numbers look this year?

Mr. Tattersall: The Agency will continue to complete virtually all of the required health and safety inspections. In

FY 1989, 97.6 percent of regular inspections at coal mines were completed. The numbers look at least as good this year for metal and nonmetal mines. For full-time producing metal and nonmetal mines, we expect to complete nearly 100 percent of the mandated 4's and 2's. Because of the short and irregular schedules of intermittent metal and nonmetal mines, our policy is to inspect these mines at a reduced frequency, 2 inspections a year for underground and once a year for surface. On this basis, at least 95 percent of the required inspections at these mines will be conducted. This reduced frequency also holds true for non-producing mines (mines on maintenance status). This policy of reduced frequency of inspections was accepted by GAO based on its computation of MSHA's inspection completion rate in an official report evaluating MSHA's performance. Overall completion rate of required inspections for all metal and nonmetal mines should be close to 98 percent or better.

ACCOUNTABILITY PROGRAM

Mr. Conte: In response to GAO's concerns about MSHA's ability to assess the quality of its inspections you started an accountability program that conducts evaluations of the entire inspection process. What types of problems has this program turned up?

Mr. Tattersall: Under the accountability program, Coal and Metal/Nonmetal reviewed 101 offices in fiscal year 1989. These reviews identified 890 issues, of which 45 were considered significant. Of those 45 significant issues, 4 are still pending corrective action.

The following are examples of some of the types of issues found:

- Lack of adequate documentation of inspection activities.
- Failure of supervisors to adequately debrief inspectors.
- Lack of proper documentation of Health and Safety Conferences.
- Lack of trained personnel to adequately conduct industrial hygiene inspections.
- Procedures for the periodic review and approval of mine plans need to be revised.

Mr. Conte: What actions have been taken to correct these problems?

Mr. Tattersall: MSHA implemented the following corrective actions:

- We improved documentation of inspection activities by issuing revised note keeping procedures.
- We improved supervisory evaluation of inspection personnel by implementing more detailed procedures

explaining supervisory responsibilities for debriefing inspectors.

- We improved the documentation of the Health and Safety Conference process by issuing new policy and instructional information letters.

- We developed basic and advanced industrial hygiene courses to be administered at our Mine Health and Safety Academy. These courses will enable us to train personnel qualified to conduct industrial hygiene inspections.

- We have developed a computerized national tracking system to improve the review and approval of mine plans.

COAL MINE INSPECTIONS

Mr. Conte: Mr. Tattersall, in your justification for cutting 18 FTE's, you said this action will result in 1,200 fewer coal mine inspections. To what extent will this action compromise mine safety?

Mr. Tattersall: The reduction of 18 FTE in Coal Enforcement will not compromise safety in the coal mines. All inspections mandated by the Mine Safety and Health Act will be conducted. The reductions will occur only in following non-mandatory inspection activities: compliance assistance, compliance follow-up and special inspections. The inspection activities currently accomplished in separate inspections will be absorbed or integrated into the overall inspection program. In this way, no adverse impact is expected on the safety and health of coal miners.

METAL AND NONMETAL INSPECTIONS

Mr. Conte: Mr. Tattersall, for the Metal and Nonmetal mines you're proposing to eliminate the PAR, CAV and some of the other compliance assistance activities. Other than saving money, what impact will these cuts have?

Mr. Tattersall: We are proposing to eliminate the PAR program. However, the CAV's will not be eliminated entirely. In fact, we will continue to conduct the majority of the CAV's in FY 1991. Let me explain our position on PAR, CAV's and some of the other compliance assistance activities separately.

Although PAR will no longer be a formal program in FY 1991, special emphasis will continue to be given to operations with high injury incidence rates but on a more flexible basis.

The PAR program was implemented in 1976 because an analysis of injury data revealed that a handful of, perhaps about 300, metal and nonmetal mines and mills accounted for 50 percent of all the injuries reported by the metal and nonmetal mining industry. The concept was to concentrate education and training, technical assistance, and inspection resources on about 50 to 60 of these high-injury mines and mills annually in order to derive the greatest benefit of injury reduction.

At least partially due to the success of the PAR program, the lopsided situation of a large number of injuries being accounted for by a relatively small number of operations no longer exists. In other words, the cost-effectiveness of the program has diminished to the point that the original concept is no longer valid. For this reason, the number of PAR mines has decreased in recent years and the percent of injury reduction of these PAR mines has also decreased significantly.

For the compliance assistance visits (CAV's), about 40 percent of these visits requested in recent years have been from the same operators. We believe that, with the amount of experience these operators have accumulated with the CAV program, they should have sufficient knowledge to do self inspection prior to start up to ensure compliance with MSHA standards.

Outside of PAR and CAV's, MSHA's only other discretionary program at metal and nonmetal mines is identified as Other Compliance Assistance Activities. About 3,000 to 4,000 of these activities have been conducted each year. The majority of them have been regular or special safety awareness briefings conducted on mine sites, but also included special assistance at the request of operators to solve technical compliance problems. We are proposing to eliminate some of the lower priority activities under this program.

Based on the above proposed plans, we believe that there will be no adverse impact on the safety and health of the miners.

LEASING OF VEHICLES

Mr. Conte: Under the proposed budget, the MSHA inspectors would travel in cars leased from GSA at a cost of about $3.4 million dollars. What is the cost per inspector for leasing vehicles?

Mr. Tattersall: The average annual cost is abc $2,800 for inspector travel to mine sites in leased vehicles.

Mr. Conte: What other options, other than leasing from GSA, were considered?

Mr. Tattersall: MSHA considered three options in motor vehicle fleet management: MSHA-owned fleet, GSA-leased fleet and contractor-provided fleet. The result was that a GSA-leased fleet was the most cost effective option.

FATALITIES AND INJURIES

Mr. Conte: In 1989 there were 120 mining related fatalities. What are the major causes of fatalities and what is MSHA doing to reduce those kinds of fatalities?

Mr. Tattersall: Over the past twelve years the major causes of fatalities in coal mining have been roof falls, haulage, machinery, electrical, and ignitions/explosions of gas or dust in that order. The same areas were the major causes of fatalities in 1989, although in a slightly different order.

The five major causes of fatalities in the metal and nonmetal mining industry are powered haulage, machinery, slips and falls, electricity and falling and sliding of materials.

Prevention of these accidents is the Agency's top priority. Field enforcement activities through the inspectorate focus on standards compliance in these areas through regular and spot inspections. In addition, programs to prevent recurring violations which may lead to serious accidents, such as the Repeat Violation Reduction Program, are developed and implemented. In addition, MSHA has developed its regulatory agenda with this accident data in mind.

In addition to continued strong enforcement of standards, the safety awareness of mine employees must be increased. Familiarity with the mining environment can lead to reduced vigilance, increasing the likelihood of accidents and injuries. Training and safety awareness is critical in addressing the problem. This can be done through mandatory training programs, fatalgrams, special hazard alerts, and, above all, joint industry/MSHA seminars, workshops, and other meetings to generate greater interest and participation in safety programs by mine management.

Mr. Conte: How about workday injuries, are there any trends?

Mr. Tattersall: The major causes of lost workday injuries in coal mining in 1989 were handling materials, slips and falls, machinery and haulage.

The major causes of lost-workday injuries in the metal and nonmetal mining industry are handling materials, slips and falls, machinery, hand tools and powered haulage.

In overall trends, the lost-workday-injury incidence rate per 200,000 hours of worker exposure, based on injuries reported by mine operators, declined slightly for coal mines from 1983 to 1985 and remained relatively constant for metal and nonmetal mines as shown below.

	Coal	Metal/Nonmetal
1983	5.54	2.82
1984	5.54	2.93
1985	5.12	2.83

However, as a result of increased audits of operator reporting of injuries (and employment) and increased citations and special assessments against operators for failure to report, lost-workday injuries reported by mine operators (non-lost-workday injuries also) have shown a significant increase since 1986, as shown below.

	Coal		Metal/Nonmetal	
	Rate	Citations (fiscal year)	Rate	Citations (fiscal year)
1986	5.70	711	3.14	931
1987	8.05	2,856	3.78	1,913
1988	8.50	1,833	4.33	2,372
1989	8.23*	1,548	4.47*	3,760

*January-September data

In view of these circumstances, we believe that the apparent increasing trend has been the result of increased reporting of injuries by mine operators, but actual trend is difficult to determine.

Mr. Conte: What are you doing about them?

Mr. Tattersall: Prevention of injuries from handling materials and slips/falls through standards enforcement is difficult. While general "housekeeping" standards have some bearing on the prevention of slips and falls, all the major categories of injuries are most effectively addressed, in our view, by selection of proper equipment for the mining conditions and increased safety awareness by both management and labor. We believe that the latter could best be accomplished through the same training programs, hazard alerts, joint industry/MSHA seminars, workshops and meetings employed by MSHA to combat fatalities.

NEW TECHNOLOGY

Mr. Conte: Much new technology has been developed within the mining industry. How have these developments changed the need for standards and enforcement?

Mr. Tattersall: Often, new technology either introduces different hazards or shifts the relative importance of hazards within a mine. For example, the increased substitution of diesel-powered equipment for electric equipment in underground coal mines has decreased the risk of electrocution and the risk of fires and explosions from electrical failures. However, the use of diesel-powered equipment introduces the need to regulate potential ignition sources from internal combustion engines and the need to address exhaust emissions. Another example concerns respirable dust levels. Although water sprayers have reduced dust levels, there is still the need for close attention to violations of dust levels to assure that all hazardous conditions are corrected. Consequently, MSHA follows a continuous process of evaluating the potential new hazards or changes in hazards resulting from new technology and only allowing that technology to be used when these new or changed hazards are adequately addressed.

FALLING OBJECTS PROTECTION

Mr. Stokes: I would like to address an issue that was brought to my attention by my constituents. Recently, a fatal injury occurred in the Akzo Salt Mine in Cleveland, Ohio. A section of the mine roof fell in on a drill rig operator. This was the second incident of this type in this mine. Neither of the machines these men were operating were equipped with "falling objects protection". I understand that state and federal inspectors investigating the most recent death reported that had the drill rig been equipped with "falling objects protection", the operator would be alive today. Can you provide me with information concerning requirements for "falling objects protection"?

Mr. Tattersall: We do not have information on the State investigation of the fatal roof fall accident which occurred at the Cleveland Mine of the Akzo Salt, Inc. However, based on MSHA's investigation, it is extremely doubtful that the drill rig operator could have survived if the rig had been equipped with a falling object protection structure (FOPS).

A properly designed FOPS is to withstand 18,000 lbs. of static load. Most roof falls create a much larger load. The one that occurred at the Cleveland Mine was estimated at 158,000 lbs. in static load. The force at impact would be much greater. It is hard to imagine that any FOPS could have protected the drill rig operator.

Regarding your question on the requirements of a FOPS, MSHA's standard requires FOPS to be provided on fork-lift trucks, front-end loaders, and bulldozers if the equipment is used in an area where falling objects could present a hazard to the equipment operator. To protect against roof falls, MSHA places greater emphasis on various preventive methods of ground control, such as roof bolts, timber, and scaling down of loose slabs, because of the inability of FOPS to withstand heavy loads as described above.

ROOF FALL ACCIDENTS

B Mr. Stokes: According to your justification, the number of coal miners killed in roof fall accidents rose from 11 in FY 1988 to 18 in FY 1989. Does this hold true for other types of mining? What is your agency's response to this increase?

Mr. Tattersall: There are significantly fewer roof fall accidents in metal and nonmetal mines than in coal mines. During the 5-year period of 1985-89, a total of 16 fatal roof fall accidents occurred in underground metal and nonmetal mines and the number has shown a general decline during this period as indicated below.

1985	1986	1987	1988	1989
5	4	2	2	3

Historically, roof fall accidents have accounted for a significant percentage of underground coal mine fatalities. MSHA has and will continue to devote a comprehensive effort toward reducing the occurrence of these accidents. This will include the use of the current Roof Evaluation/Accident Prevention (REAP) program aimed at raising the awareness of the mining community to the hazards associated with roof control problems. In addition, as of March 28, 1990, current regulations will require that all roof bolting machines operating in mining heights of 30 inches or more be equipped with an Automatic Temporary Roof Support system (ATRS). This requirement should reduce the exposure of mine personnel operating these machines to the danger of unsupported roof.

EFFECT OF FTE REDUCTION

Mr. Stokes: The FY 1991 budget calls for a reduction of 50 FTE for your agency. How would this affect your ability to enforce mine safety standards?

Mr. Tattersall: The reduction of 50 FTE in MSHA will not affect the Agency's ability to enforce mine safety standards. All inspections mandated by the Mine Safety and Health Act will be conducted. The reductions will occur in non-mandatory inspection activity.

In the Coal Mine Safety and Health program, this will be in the area of compliance assistance, compliance follow-up and special inspections. The inspection activities currently accomplished in separate inspections will be absorbed or integrated into the overall inspection program. In this way, no adverse impact is expected on the safety and health of coal miners.

The reductions in Metal and Nonmetal Mine Safety and Health will occur in the Program in Accident Reduction (PAR), Compliance Assistance Visits (CAV), and other compliance assistance activities aimed at preventing accidents and injuries through assistance rather than enforcement. While PAR will no longer be a formal program, operations with high injury rates will continue to receive special emphasis, but on a more flexible basis. About 40 percent of the CAV's requested in recent years have been from the same operators. Requests for this type of visit will no longer be granted as we believe these operators should have accumulated sufficient knowledge to do self inspection prior to start up to ensure compliance with MSHA standards, considering the amount of experience they have accumulated with the CAV program. The majority of the other compliance assistance activities have been regular or special safety awareness briefings conducted on mine sites, but also included special assistance to solve technical compliance problems. The lower priority of these activities will be eliminated.

Mr. Stokes: How do you justify this decrease in light of the evidence contained in your budget justification that shows that the injury incidence rate has gone up since 1986?

Mr. Tattersall: While the injury incidence rate is higher in 1989 than in 1986, the increase may be a reflection of MSHA's increased emphasis on accurate injury reporting.

EMPLOYMENT OF HISPANIC WOMEN AND AFRICAN-AMERICANS

Mr. Hoyer: As you may recall, I contacted MSHA regarding a Class Action EEOC complaint including 227 Hispanic women and African-Americans alleging discrimination in hiring, promotions, reassignments, admissions to SES and other training programs, and performance awards. What is the percentage of Hispanic women and African-Americans employed in the national mining industry?

Mr. Tattersall: Based on the average percentages taken from the latest U.S. Department of the Interior, Bureau of Mines Information Circulars 1988, "Characterization of the 1986 Metal and Nonmetal Mining Workforce" and the "Characterization of the 1986 Coal Mining Workforce", and other Department of Labor (DOL) civilian labor force data, Hispanic women represent approximately .3 percent of the national mining industry. The percentages of African-Americans are approximately 4.6 percent for men and .3 percent for women which equal a combined percentage of approximately 5 percent.

Mr. Hoyer: Do you believe these proportions are appropriate guidance for MSHA with respect to the representation of Hispanic women and African-Americans within the agency and in upper grade levels? Why?

Mr. Tattersall: Yes. To have these percentages of Hispanic women and African-Americans within each organization within the agency and within all grade levels and positions would mean that MSHA has achieved its affirmative action objectives to adequately reflect the labor market demographics as compared to the mining industry. However, historically the numbers of minorities and women in the mining industry have been low. In the past, MSHA has recruited its employees from the mining community at the mid-grade levels of GS-9 or GS-11 because the Mine Act cited the necessity for "practical mining experience." Current procedures include recruiting at the GS-5 or GS-7 trainee entrance levels so as not to have an adverse impact on minorities or women who may lack the practical mining experience. With the increase of Hispanic women and African-Americans at the entry levels, as well as other levels where applicable, it is anticipated that within the foreseeable future MSHA will have Hispanic women and African-Americans equitably represented in the upper grade levels.

Mr. Hoyer: I would appreciate your furnishing to the Committee, the number of Hispanic women and African-Americans employed by MSHA; their distribution throughout the agency in terms of policy and administrative unit and their grade levels?

Mr. Tattersall: As compared to the mining industry's workforce profile, MSHA's workforce representation is favorable for Hispanic women and African-American women. Future MSHA affirmative action initiatives will increase the African-American male representation, and will also provide the opportunity for all groups to advance to the higher grade levels. The number of African-Americans and Hispanic women by organization and by grade structure are shown below.

WORKFORCE PROFILE BY PROGRAM AREA

Program Area	African-Americans	Hispanic Women
Coal	35	4
Metal	20	6
Technical Support	11	4
Administration & Management	36	7
Educational Policy & Development	12	0
Assessments	4	0
Standards Regulations & Variances	8	0
Office of Information	2	0
Program Policy Evaluation	0	0
Assistant Secretary	1	0
Office of Equal Opportunity	4	0
Congressional Affairs	1	0
Total	134	21

DISTRIBUTION BY GRADE

Grade	African-Americans	Hispanic Women
SES	1	0
GS-15	0	0
GS-14	6	0
GS-13	12	0
GS-12	18	1
GS-11	9	2
GS-10	1	0
GS-9	9	1
GS-8	3	0
GS-7	20	1
GS-6	11	4
GS-5	19	5
GS-4	14	3
GS-3	9	3
GS-2	0	1
GS-1	2	0
Total	134	21

Mr. Hoyer: Aren't federal agencies encouraged to exhaust efforts to resolve these issues even when such cases are pending before EEOC, and if this is so to what extent is MSHA engaged in this process of working toward a resolution?

Mr. Tattersall: Yes, Federal agencies are encouraged to exhaust efforts to resolve issues pending before EEOC, and in my opinion MSHA did in good faith attempt to informally resolve the specific issues of the class action complaint. As indicated in my letter to you dated December 9, 1989, several draft settlement agreements were exchanged with the Agents for the class action complaint in November and December of 1988, and in January 1989 without success. When the Agents decided to file formally in June 1989, MSHA again met with the Agents, and drafted another settlement agreement addressing the specific issues of the class action complaint. In our opinion the Agents responded with a draft settlement proposal that included issues not germane to the class action complaint, and it became obvious that an informal settlement was not possible at this level.

Mr. Hoyer: Can you outline for the Committee current MSHA efforts to recruit and promote Hispanic women and African-Americans?

Mr. Tattersall: From May to September 1989, MSHA staff conducted recruitment drives to encourage Hispanic women and African-Americans to apply for Metal and Nonmetal Mine Safety and Health inspector positions when the register opened in August and September, 1989.

MSHA's Office of Equal Opportunity (OEO) staff attended the DOL Hispanic Employment Program and National Image Conference in Austin, Texas from May 22 to 27, 1989. They discussed the Metal and Nonmetal register with regional and national DOL Hispanic Coordinators and solicited their assistance at the conference in announcing MSHA's register opening in August; distributed flyers; and established contacts with various Hispanic organizations and universities.

MSHA staff attended the National Women in Mining Conference in Springfield, Illinois from June 22 to 25, 1989. They distributed flyers and discussed the significance of applying for the Metal and Nonmetal positions with women miners, including Hispanics and African-Americans. These women were encouraged to apply and were asked to encourage other women miners to apply as well.

MSHA's OEO staff visited two MSHA field offices, Albuquerque, New Mexico and Baton Rouge, Louisiana from July 23 to 29, 1989, to encourage staff assistance in recruiting women and minority applicants for the Metal and Nonmetal register. Their responses were quite favorable. This visit included contacts with the State Equal Opportunity Officers for the State Employment Security Agencies in both Albuquerque and Baton Rouge, and with local Job Services Offices in Albuquerque and Socorro, New Mexico, and Baton Rouge and New Iberia, Louisiana to request assistance in contacting community based organizations and advising them of the Metal and Nonmetal register. During this trip, contacts were made with staffs at the New Mexico Institute of Mining and Technology, in Socorro, New Mexico, and the Engineering Department at Southern

University in Baton Rouge, Louisiana to specifically encourage Hispanics and African-Americans respectively to apply.

As a follow-up to the Women in Mining Conference, the OEO staff addressed a group of approximately 30 women in Charleston, West Virginia on August 1, 1990, responding to their questions on the Metal and Nonmetal register and assisting them in the preparation of their applications. Hispanic and African-American women were in attendance.

Also, MSHA's OEO staff attended the National Urban League Conference in Washington, D.C. from August 7 to 11, 1989, discussing with various Black organizations and universities attending the conference, MSHA's Metal and Nonmetal register process and encouraging Blacks to apply. Application packages were distributed to interested parties, and the MSHA Metal and Nonmetal register announcement was listed with the National Urban League Conference Job Bank during the conference.

Letters were sent to State Employment Security Agencies nationwide encouraging their assistance in recruiting minorities for the Metal and Nonmetal Mine Safety and Health inspector positions. These efforts proved very successful in bringing the total number of Metal and Nonmetal Mine Safety and Health inspector applicants to more than 1,400, as compared to only 400 when the register was last opened in 1985. We are confident that many Hispanic women and African-American applicants are included.

These affirmative action initiatives and other similar approaches are planned to assist MSHA in recruiting Mine Safety and Health inspectors in the future. When budget constraints are relaxed, we are certain that all minority groups, including Hispanic women and African-Americans, will see gains in MSHA's workforce profile.

STATUS OF REGULATORY EFFORT

Mr. Porter: What is the status of MSHA's effort to update its regulations?

Mr. Tattersall: MSHA's effort to update its regulations is proceeding close to schedule. MSHA is concentrating its resources upon those safety and health standards that both directly affect nearly all miners and that are most in need of updating due largely to technology advances or increases in occupational health knowledge. For example, the air quality revisions incorporate new respirator technology as well as new permissible exposure limits for hazardous chemicals. Another example is that the increasing use of diesel powered equipment in underground coal mines has led MSHA to giving a high priority to developing safety and health rules for diesel equipment.

Mr. Porter: When will you publish a final rule on mine ventilation, and specifically on belt entry air for ventilation of working sections?

Mr. Tattersall: The final rule for ventilation which will address belt entry air for ventilation at working sections is scheduled to be promulgated in December 1990.

Mr. Porter: I understand that you intend to conduct further hearings on this rule. Given the extensive review that has already been completed, why are further public hearings necessary?

Mr. Tattersall: MSHA is holding the hearing at the request of the United Mine Workers of America to allow further comment on the issues addressed in the Agency's belt conveyor entry ventilation report.

Mr. Porter: Is a public hearing the proper forum for collecting technical analysis?

Mr. Tattersall: A public hearing is one of the important forums for collecting technical analyses because it affords the mining community an additional opportunity to present information and data. The direct, public participation in the informal public hearing process often allows an additional opportunity for clarification of the methodology and conclusions of technical analyses. This type of forum helps the Agency to gather valid information necessary to promulgate the appropriate safety and health regulation.

INDEPENDENT CONTRACTORS

Mr. Porter: I understand that MSHA issued a policy memo that defines independent contractors as "miners." This designation would create new liability exposure for mine operators who employ independent contractors. Is this the intent of the policy memo?

Mr. Tattersall: The recent MSHA policy letter concerning independent contractor training policy does not address the issue of mine operator liability. The intent of the policy letter is to identify appropriate training for those independent contractors who are defined as "miners" under the Act. Section 3(g) of the Act defines "miner" as "any individual working in a coal or other mine." The policy letter serves to clarify existing MSHA policy and does not represent any change in MSHA's approach to the training of independent contractors or in the definition of independent contractors as "miners" for the purpose of training.

REPORTING OF INJURIES AND ILLNESSES

Mr. Porter: The Department has conducted a review of the reporting requirements for occupational injuries and illnesses. What is the status of this review? Will MSHA and OSHA adopt similar reporting systems?

Mr. Tattersall: MSHA has received comments from the mining industry regarding what changes, if any, need to be made. A committee is currently reviewing the comments and drafting a proposed rule. The Agency intends to publish a proposed rule in October 1990.

Under both the MSHA and OSHA/BLS systems, employers are required to investigate injuries and illnesses and prepare a written report of the investigation. Under the MSHA system, all reports, except those involving first aid with no lost time, must be submitted to the agency for review and analysis. Under the OSHA/BLS system, all reports are retained with the employer, and made available to the OSHA inspector; and once each year a small percentage of employers are surveyed to obtain national injury statistics. The current rulemaking process will help determine to what extent, if any, MSHA may adopt the OSHA/BLS system.

JUSTIFICATION OF THE BUDGET ESTIMATES

MINE SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

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MINE SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

For necessary expenses for the Mine Safety and Health Administration, [$170,593,000] *$172,500,000*, including purchase and bestowal of certificates and trophies in connection with mine rescue and first-aid work, and the purchase of not to exceed twenty passenger motor vehicles for replacement only; the Secretary is authorized to accept lands, buildings, equipment, and other contributions from public and private sources and to prosecute projects in cooperation with other agencies, Federal, State, or private; the Mine Safety and Health Administration is authorized to promote health and safety education and training in the mining community through cooperative programs with States, industry, and safety associations; and any funds available to the Department may be used, with the approval of the Secretary, to provide for the costs of mine rescue and survival operations in the event of major disaster [: *Provided*, That none of the funds appropriated under this parargraph shall be obligated or expended to carry out section 115 of the Federal Mine Safety and Health Act of 1977 or to carry out that portion of section 104(g)(1) of such Act relating to the enforcement of any training requirements, with respect to shell dredging, or with respect to any sand, gravel, surface stone, surface clay, colloidal phosphate, or surface limestone mine]. 1/ *(30 U.S.C. 1-11, 801, 951 et seq., 960; 91 Stat. 1290-1322; 93 Stat. 111, 137; Department of Labor Appropriations Act, 1990).*

Explanation of Language Change

1/ The Administration opposes the language excluding the mining operations from coverage under section 115 of the Act. The hazards faced by the types of mining operations included in this restriction are similar to and in many cases, identical to the hazards faced in other mining operations. Statistics show these mines are no safer than other metal and nonmetal mines. MSHA's legislative history indicates Congress was aware of these factors when the 1977 Act was passed and in view of this, we are proposing the deletion of the restriction.

ANALYSIS OF APPROPRIATION LANGUAGE

Language Provision	
"...including purchase and bestowal of certificates and trophies in connection with mine rescue and first-aid work..."	This authority has been included in either the Bureau of Mines, Department of Interior, the Mining Enforcement and Safety Administration's or the Department of Labor's appropriation authority since 1932 and allows the Secretary to further increase safety and health through the bestowal of trophies and certificates for accomplishments in the area of mine rescue and first-aid work.
"...and any funds available to the Department may be used, with the approval of the Secretary, to provide for the costs of mine rescue and survival operations in the event of major disaster..."	In mine disasters Mine Safety and Health Administration (MSHA) provides staff, technical expertise, and specialized equipment in assisting rescue operations at mine sites. Funds are not specifically requested to cover the major costs associated with such assistance. This provision provides the Secretary authority to authorize the use of funds in the event the assistance costs exceed MSHA's funding capacity.

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990		1991	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation...	2,790	$162,621,000	2,788	$170,593,000	2,638	$172,500,000
Reduction pursuant to P.L. 99-177.....	--	--	-97	-2,367,000	--	--
A. Subtotal, appropriation	2,790	162,621,000	2,691	168,226,000	2,638	172,500,000
Comparative transfer to: WCF: DOL Academy......	-1	--	-1	--	--	--
Comparative transfer from: Departmental Management...	--	272,000	--	--	--	--
Ceiling adjustment for: Departmental Management...	--	-124,000	-2	-128,000	--	--
Subtotal, appropriation adjusted)....	2,789	162,769,000	2,688	168,098,000	2,638	172,500,000
B. Budget Authority....	2,789	162,769,000	2,688	168,098,000	2,638	172,500,000
C. Total, estimated obligations........	2,789	162,769,000	2,688	168,098,000	2,638	172,500,000

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SUMMARY OF CHANGES

	1990	1991	Net Change
Budget Authority:			
General Funds	$168,098,000	$172,500,000	+4,402,000
Full-Time Equivalent:			
General Funds	2,688	2,638	-50

	General Funds	
	FTE	Amount
Explanation of Change:		
Increases:		
A. Built-In:		
Net cost of within-grade promotions and merit pay effective in 1990	--	+683,000
Net cost of within-grade promotions and merit pay effective in 1991	--	+272,000
One additional day of pay in FY 1991	--	+469,000
Annualization of pay increase effective January 1990	--	+1,089,000
To provide for a pay increase effective January 1991	--	+3,217,000
To provide for an increase in the Federal Employees' Compensation payment	--	+787,000
To provide for increased costs of travel	--	+261,000
To provide for increased costs of transportation	--	+85,000
To provide for increased costs of space rental	--	+201,000
To provide for increased costs of supplies	--	+84,000
Subtotal	--	+7,148,000

B. Program:		
To provide for an increase in standards development activities	--	+270,000
(1990 Base: FTE -- Budget Authority --)		
To provide for the purchase of self rescuers in Coal Mine Safety and Health	--	+335,000
(1990 Base: FTE -- Budget Authority --)		
To provide for the purchase of lab and field equipment in Technical Support	--	+300,000
(1990 Base: FTE -- Budget Authority $455,000)		
To provide for an increase for facilities repair and maintenance at the Academy	--	+280,000
(1990 Base: FTE -- Budget Authority --)		
To provide for the leasing of motor vehicles from GSA	--	
(1990 Base: FTE -- Budget Authority $3,575,000)	--	+500,000
Subtotal	--	+1,685,000
Total Increase	--	+8,833,000
Decreases:		
A. Built-In:		
To provide for a decrease in Working Capital Fund costs	--	-164,000
Subtotal	--	-164,000
B. Program:		
To provide for a program reduction in Coal Mine Safety and Health	-18	-1,385,000
(1990 Base: FTE 1,499 Budget Authority $88,869,000)		

To provide for a program reduction in Metal and Nonmetal Mine Safety and Health	-8	-646,000
(1990 Base: FTE 545 Budget Authority $35,543,000)		
To provide for a program reduction in Standards Development	-1	-64,000
(1990 Base: FTE 17 Budget Authority $1,359,000)		
To provide for a program reduction in Assessments	-2	-89,000
(1990 Base: FTE 53 Budget Authority $2,392,000)		
To provide for a program reduction in Educational Policy and Development	-3	-180,000
(1990 Base: FTE 95 Budget Authority $13,333,000)		
To provide for a program reduction in Technical Support	-12	-671,000
(1990 Base: FTE 314 Budget Authority $20,911,000)		
To provide for a program reduction in information systems planning	--	-1,100,000
(1990 Base: FTE 0 Budget Authority $1,900,000)		
To provide for a program reduction in Program Administration	-6	-132,000
(1990 Base: FTE 165 Budget Authority $10,775,000)		
Subtotal	-50	-4,267,000
Total Decrease	-50	-4,431,000
Total Change	-50	+4,402,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable		1990 Appropriation		1990 Estimate 1/		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority applied to General Funds:										
1. Enforcement:										
(a)Coal	1,550	$83,210,000	1,552	$84,899,000	1,499	$84,716,000	1,481	$88,179,000	-18	+$3,463,000
(b)Metal/nonmetal	561	32,485,000	561	33,256,000	545	34,008,000	537	35,022,000	-8	+1,014,000
(c)Standards	18	1,097,000	17	1,571,000	17	1,306,000	16	1,565,000	-1	+259,000
2. Assessments	55	2,179,000	55	2,235,000	53	2,282,000	51	2,303,000	-2	+21,000
3. Educational policy and development	99	12,005,000	99	13,675,000	95	13,117,000	92	13,433,000	-3	+316,000
4. Technical support	330	20,561,000	330	21,000,000	314	20,185,000	302	20,555,000	-12	+370,000
5. Program administration	174	11,232,000	174	13,957,000	165	12,484,000	159	11,443,000	-6	-1,041,000
Total Budget Authority	2,787	162,769,000	2,788	170,593,000	2,688	168,098,000	2,638	172,500,000	-50	+4,402,000

1/ Included in 1990 Estimate:

Reduction pursuant to P.L. 99-177................ -$2,367,000 and 97 FTE
Ceiling adjustment for Departmental Management.. -$128,000 and 2 FTE
Comparative transfer to DOL Academy............. $0 and 1 FTE

BUDGET AUTHORITY BY OBJECT

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Total number of full-time permanent positions	2,742	2,592	2,592	--
Full-time equivalent:				
Full-time in permanent positions	2,742	2,642	2,592	-50
Other positions	46	46	46	--
Total	2,788	2,688	2,638	-50
Average ES salary	$71,693	$76,027	$78,764	+$2,737
Average GM/GS grade	10.37	10.37	10.37	--
Average GM/GS salary	$37,338	$38,380	$40,091	+$1,710
Average salary of ungraded positions	$25,713	$26,639	$27,571	+$932
Personnel compensation:				
Permanent positions	$103,461,000	$102,383,000	$104,928,000	+$2,545,000
Positions other than permanent	946,000	1,122,000	1,179,000	+57,000
Other personnel compensation	1,020,000	1,940,000	1,940,000	--
Subtotal, personnel compensation	105,427,000	105,445,000	108,047,000	+2,602,000
Personnel benefits	20,593,000	21,147,000	22,325,000	+1,178,000
Travel and transportation of persons	6,329,000	6,208,000	6,427,000	+219,000
Transportation of things	2,129,000	2,023,000	2,303,000	+280,000
Space rental	7,289,000	7,392,000	7,593,000	+201,000
Communications, utilities, and other rent	2,940,000	2,576,000	2,580,000	+4,000
Printing and reproduction	717,000	681,000	688,000	+7,000
Other services 1/	14,421,000	12,809,000	12,455,000	-354,000
Supplies and materials	2,092,000	1,989,000	1,999,000	+10,000
Equipment	2,668,000	1,924,000	2,179,000	+255,000
Grants	5,988,000	5,904,000	5,904,000	--
Total, budget authority by object	170,593,000	168,098,000	172,500,000	+4,402,000
Working Capital Fund obligations included above	(4,167,000)	(4,389,000)	(4,225,000)	(-164,000)
Advisory and assistance services included above	(471,000)	(21,000)	(292,000)	(+271,000)
Federal Employees' Retirement System contributions included above	(2,305,000)	(2,079,000)	(2,305,000)	(+226,000)

1/ Includes the following amounts for services of other agencies:

	1990 Appropriation	1990 Estimate	1991 Estimate	Change
Department of the Interior	984,000	656,000	656,000	--
Department of Energy	500,000	400,000	100,000	-300,000

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

Item	Action Taken or to be Taken
1990 House Report (No. 101-172)	
No Specific Actions Recommended	
1990 Senate Report (No. 101-127)	
No Specific Actions Recommended	
1990 Conference Report (No. 101-274)	
No Specific Actions Recommended	

AUTHORIZING LEGISLATION

Legislation	Budget Request	
	1990	1991
Authorizing legislation containing indefinite authority		
Federal Mine Safety and Health Act of 1977 (30 U.S.C. 1-11, 801, 951 et seq., 960; 91 Stat. 1290-1322; 93 Stat. 111, 137)	$168,226,000	$172,500,000

APPROPRIATION HISTORY

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1980	$138,511,000	$136,510,000	$142,983,000	$142,637,000
1981	156,720,000	152,873,000		152,213,000
1982	157,534,000	155,734,000	155,534,000	149,313,000
1983	153,828,000	153,828,000	153,828,000	153,828,000
1984	148,032,000	151,397,000	151,792,000	151,397,000
1985	150,550,000	150,550,000	150,550,000	150,550,000
1986	1/ 148,911,000	150,215,000	153,224,000	145,157,000
1987	156,480,000	156,480,000	160,180,000	156,480,000
1988	167,288,000	164,874,000	169,765,000	160,193,000
1989	2/ 164,597,000	164,597,000	164,597,000	162,621,000
1990	169,039,000	170,039,000	170,593,000	170,593,000
Reduction pursuant to P.L. 99-177				2,367,000
1991	172,500,000			

1/ 1986 includes reductions pursuant to P.L. 99-177

2/ Reflects $1,976,000 across-the-board reduction pursuant to P.L. 100-436

MINE SAFETY AND HEALTH ADMINISTRATION
SALARIES AND EXPENSES

JUSTIFICATION

	1990 Appropriation		1990 1/ Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Enforcement										
(a)Coal	1,552	$84,899,000	1,499	$84,716,000	-53	-$183,000	1,481	$88,179,000	-18	+$3,463,000
(b)Metal/nonmetal	561	33,256,000	545	34,008,000	-16	+752,000	537	35,022,000	-8	+1,014,000
(c)Standards	17	1,571,000	17	1,306,000	--	-265,000	16	1,565,000	-1	+259,000
2. Assessments	55	2,235,000	53	2,282,000	-2	+47,000	51	2,303,000	-2	+21,000
3. Educational policy and development	99	13,675,000	95	13,117,000	-4	-558,000	92	13,433,000	-3	+316,000
4. Technical support	330	21,000,000	314	20,185,000	-16	-815,000	302	20,555,000	-12	+370,000
5. Program administration	174	13,957,000	165	12,484,000	-9	-1,473,000	159	11,443,000	-6	-1,041,000
Total Budget Authority	2,788	170,593,000	2,688	168,098,000	-100	-2,495,000	2,638	172,500,000	-50	+4,402,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177 .... -$2,367,000 and 97 FTE
Ceiling adjustment for Departmental Management .. -$128,000 and 2 FTE
Comparative transfer to DOL Academy .... $0 and 1 FTE

General Statement

The appropriation for the Mine Safety and Health Administration funds the promulgation of safety and health standards for mining operations, the application of those standards through mine inspections and the assessment of civil monetary penalties for violations, the development and coordination of training activities, the certification of equipment and materials for use in mines and the promotion of improved safety and health conditions in mines through technical assistance and special programs designed to encourage cooperative efforts among all segments of the mining community. The goal of the agency in fiscal year 1991 is to protect the safety and health of miners utilizing resources in the most effective and efficient manner.

ENFORCEMENT

	1990 Appropriation		1990 [1] Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
Subactivity:	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
(a) Coal	1,552	$84,899,000	1,499	$84,716,000	-53	-$183,000	1,481	$88,179,000	-18	+$3,463,000
(b) Metal	561	33,256,000	545	34,008,000	-16	+752,000	537	35,022,000	-8	+1,014,000
(c) Standards	17	1,571,000	17	1,306,000	--	-265,000	16	1,565,000	-1	+259,000

[1] Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177

Coal............................	$1,178,000 and 51 FTE.
Metal...........................	$ 461,000 and 16 FTE.
Standards.......................	$ 22,000 and 1 FTE.

Ceiling adjustment for Departmental Management

Coal............................	$128,000 and 2 FTE.

Introduction

This activity is responsible for developing, promulgating and enforcing safety and health standards for the protection of lives and the prevention of injuries in coal, metal and nonmetal mining operations; providing training programs and related technical assistance to mine operators and agents; and promptly considering and evaluating all relevant and probative evidence submitted by affected parties prior to formal penalty proposals for violations cited.

1991 Budget Request - (a) Coal Mine Safety and Health

The primary objective of MSHA's Coal Mine Safety and Health (CMS&H) program during fiscal year 1991 is the provision of a safe and healthful working environment for the approximate 150,000 miners employed in the nation's coal mining operations.

In fiscal year 1989, a total of 2,026 underground and 2,740 surface mines operated during the year. It is projected that the number of coal mines available for inspection through fiscal year 1991 will remain relatively close to the number in fiscal year 1989.

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The Mine Safety and Health Act of 1977 requires inspection of each active underground mine four times and each active surface mine two times per year. Coal Mine Safety and Health will meet this requirement by conducting 6,500 regular underground and 4,700 regular surface inspections at 4,700 coal mining operations, depending on their availability. MSHA will also continue to work closely with the nation's miners and mine operators in order to provide all necessary help and assistance in their attempts to alleviate accidents in the coal mining industry.

In addition to regular inspections, MSHA is required by Section 103(i) of the 1977 Act to conduct spot inspections every 5, 10 or 15 days at irregular intervals in those mines liberating excessive quantities of methane or other explosive gases during a 24-hour period, where methane or other gas ignitions or explosions have occurred during the previous five years resulting in death or other serious injury, or where other especially hazardous conditions exist.

During fiscal year 1991, it is anticipated that approximately 5,200 103(i) spot inspections will be conducted. A total of 41,500 other inspections and investigations in addition to the regular and gassy mine inspections will be conducted to further ensure the safety and health of the nation's coal miners. MSHA personnel will also continue to respond to miners' complaints of hazards, operator violations and discrimination.

A variety of other activities will be conducted by MSHA engineers and specialists. These activities will be directed at highly complex problems and/or potential sources of serious accidents or major disaster--such as roof control, ventilation, haulage, and electrical systems. MSHA specialists will ensure that the nation's mines have adequate training programs and that they are monitored and evaluated for effectiveness. In addition, fatal accidents and the majority of serious nonfatal accidents will be investigated by MSHA specialists. These investigations provide information which is relayed to MSHA, industry, and union personnel in order to prevent similar occurrences and to promote awareness of areas of concern.

Coal Mine Safety and Health personnel will continue to conduct close-out and health and safety conferences in fiscal year 1991. These conferences are designed to provide an opportunity for mine operators and employee representatives to discuss the circumstances surrounding, and the validity of the citations issued by coal mine inspectors.

The reduction of 18 FTE and an estimated 1,200 inspections in 1991 will require a reduction in Coal's compliance assistance and special inspection activities including the Roof Evaluation Accident Program (REAP) program.

An increase of $335,000 in equipment funds for replacement of approximately 1,200 Self-Contained Self-Rescuers (SCSR) is requested for enforcement personnel. It is expected that a self-contained self-rescuer, which is significantly lighter and smaller than the current device being used, will be available in 1990. This device, because of its size and weight, will be utilized to replace two pieces of current equipment, the larger SCSR and the filter type self-rescuer. Currently all enforcement personnel carry both of these devices along with many other pieces of equipment, e.g., methanometers, anemometers, dosimeters, and dust pumps. The reduction in both weight and number of instruments carried enhances the inspector's ability to maneuver in low coal and in crawling and climbing through tight areas such as in overcasts and through man-doors in all underground mines. Greater ease of maneuverability increases the safety of working conditions under which inspectors and miners must operate. The manufacturers of self-rescuers have determined that the "shelf-life" or the period of time for which the manufacturer will guarantee operation is five years. The vast majority of CMS&H's SCSR's are eight years old. Though they are tested regularly and kept in proper working order, many may have to be replaced in 1991 because of the deterioration of the rubber parts of these devices.

An increase of $860,000 is also requested for the leasing of motor vehicles through GSA. MSHA inspectors currently use GSA leased vehicles as well as MSHA owned vehicles for transportation to mine sites. Since it is more cost effective to lease, MSHA is requesting this increase to convert to an all leased fleet.

The following table identifies the major workload categories and program outputs for the Coal Mine Safety and Health Program.

	1989 Actual	1990 Estimate	1991 Estimate
Regular Underground Inspections	6,514	6,500	6,500
Regular Surface Inspections	4,821	4,700	4,700
Subtotal	11,335	11,200	11,200
Other Inspections	48,931	47,900	46,700
Total	60,266	59,100	57,900
Underground mines:	2,026	1,985	1,985
Surface mines:	2,740	2,715	2,715

1990

In fiscal year 1990, 6,500 regular underground inspections and 4,700 regular surface inspections will be conducted at 4,700 underground and surface coal mines. In addition to these regular health and safety inspections, 47,900 other inspections and investigations will be conducted.

Coal Mine Safety and Health will continue the Roof Evaluation--Accident Prevention Program (REAP). This comprehensive nationwide program is aimed at promoting better roof control practices. Falls of mine roof, face and ribs are among the most serious safety problems facing the coal mining industry, and have historically been the leading cause of fatal injuries in underground coal mines. In order to realize long-term improvements in preventing roof fall-type accidents, Coal Mine Safety and Health will continue this nationwide program in cooperation with other agencies having an interest in coal mine safety. The REAP Program takes a comprehensive approach combining training, engineering, statistical analyses, and state-of-the-art roof control technology. A national clearinghouse provides up-to-date technical and statistical roof control information. Annual training provided MSHA's roof control specialists is being given to personnel from non-MSHA organizations such as coal operator associations, the United Mine Workers of America, the National Association of State Mine Inspection Agencies, and the Bureau of Mines. Special statistical reports describing roof fall accidents and injuries have been developed and are distributed to the industry, and an extensive public awareness campaign continues to remind mine operators and miners of roof fall dangers.

As a result of the sequestration of funds in 1990, Coal will complete fewer inspections related to compliance assistance, plan approvals, and spot inspections of particularly hazardous conditions.

1989

In fiscal year 1989, 6,514 regular underground inspections and 4,821 regular surface inspections were conducted at underground and surface coal mines. In addition to these regular health and safety inspections, 48,931 other inspections and investigations were conducted.

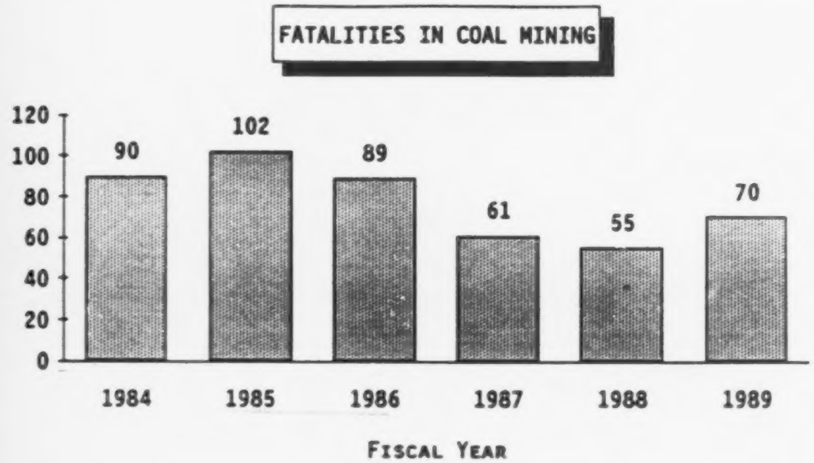
In FY 1989, Coal continued the MSHA Accountability Program nationwide. The program identifies a wide range of field activities and practices to be reviewed first, at the field office level; secondly, at the district level; and finally, at the headquarters level. The program requires that all districts and at least 50 percent of the field offices be evaluated annually; that evaluation techniques consist of review of work products; and that the evaluations be documented at all levels.

In fiscal year 1989, Coal Mine Safety and Health continued the REAP Program. This comprehensive nationwide program addresses the continuing problem of roof falls, a leading cause of fatalities. The number of coal miners killed in roof fall accidents rose from 11 in fiscal year 1988 to 18 in fiscal year 1989.

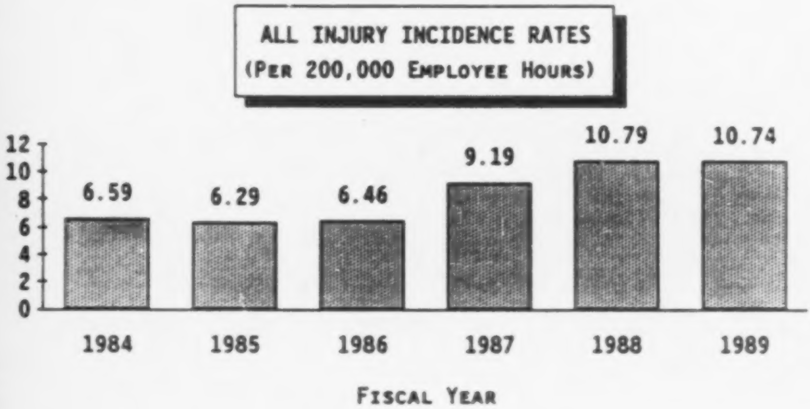
In fiscal year 1989, Coal developed a computerized tracking system for the mining plan approval process. This will be coordinated with a review of the plan approval process to incorporate improvements in processing the plans.

In fiscal year 1989, Coal strengthened the program for dealing with illegal mines. A system was developed to track illegal mines and help identify the full extent of the problem.

Fatalities increased from fiscal year 1988 to fiscal year 1989. The following table displays Coal fatalities for fiscal years 1984 through 1989.



The following table displays all injury incidence rates per 200,000 employee hours from 1984 through 1989. The increased injury rate in 1987 and 1988 may, in part, be a reflection of MSHA's increased emphasis on accurate injury reporting.



Changes for 1991

Activity Changes:

Built-in:	
Within-grade promotions	$555,000
Annualization of pay increase effective January, 1990	620,000
Pay increase effective January, 1991	1,832,000
Extra pay day	267,000
GSA Space rental	104,000
Federal Employees' Compensation Fund	584,000
Travel	87,000
Transportation	71,000
Supplies	33,000
Total Built-in	4,153,000
Net Program	-$690,000
FTE	-18

Coal Self-Rescuers

Proposal: To provide funds for the purchase of self-contained self-rescuers.

Rationale: The majority of the current self-contained self-rescuers are eight years old as compared to a manufacturers' suggested life of five years. By 1991, continued repair and maintenance will not be cost effective due to deterioration of rubber seals.

Program Effects: The use of the new self-rescuer will increase the safety of working conditions under which inspectors operate.

Base:
FTE: -- Estimate: $0

Program Increase:
FTE: -- Estimate: +$335,000

Motor Vehicle Leasing

Proposal: To provide funds for the leasing of motor vehicles through GSA.

Rationale: MSHA inspectors require motor vehicles for transportation to mine sites. It is more cost effective to lease the vehicles through GSA rather than maintain the currently owned MSHA fleet.

Program Effects: All MSHA-owned vehicles will be transferred to GSA.

Base:
FTE: -- Estimate: $2,592,000

Program Increase:
FTE: -- Estimate: +$360,000

Coal Mine Safety and Health

Proposal: To provide for a decrease of 18 FTE.

Rationale: To provide for a reduction due to budgetary constraints.

Program Effects: A total of 1,200 fewer inspections will be conducted.

Base:
FTE: 1,499 Estimate: $88,869,000

Program Decrease:
FTE: -18 Estimate: -$1,385,000

1991 Budget Request - (b) Metal and Nonmetal Mine Safety and Health

The major objective of MSHA's Metal and Nonmetal Mine Safety and Health program is to provide a safe and healthful working environment in the nation's metal and nonmetal mining operations. Under the Mine Safety and Health Act of 1977, this responsibility will extend to about 200,000 employees in approximately 11,500 metal and nonmetal mines. In the past, this goal has been achieved through a balanced program of regular inspections, special investigations and inspections, and compliance and training assistance. However, with budgetary constraints in FY 1991, the Program in Accident Reduction (PAR) will be eliminated and the Compliance Assistance Visits (CAV) program will be reduced below the 1990 level, with CAVs performed only in conjunction with regular and compliance follow-up inspections. In addition, other compliance assistance activities will be eliminated. In FY 1991, most of Metal and Nonmetal's resources will concentrate on mandatory activities as required by the Act.

The Mine Safety and Health Act of 1977 requires inspection of each active underground mine at least four times and each active surface mine at least two times a year. Intermittent underground mines will receive two inspections and intermittent surface mines will receive one inspection annually.

The following table identifies the projected numbers of metal and nonmetal mines under MSHA jurisdiction during fiscal year 1991.

Metal and Nonmetal Mines - FY 1991

Mine Type	Year-round Active	Intermittent	Nonproducing	Total
Underground	245	85	70	400
Surface	4,450	6,550	100	11,100
Total	4,695	6,635	170	11,500

The Mine Safety and Health Act of 1977 also requires the Secretary of Labor to develop guidelines for additional inspections of mines based on criteria including, but not limited to, the hazards found in mines, experience under the Act and other health and safety laws.

In FY 1991, it is estimated that MSHA personnel will conduct 18,400 regular inspections of metal and nonmetal mines. Besides regular inspections, personnel will conduct approximately 14,400 other health and safety inspections, investigations and evaluations. These activities fall into four broad categories:

- -- education and training activities;
- -- special investigations;
- -- special inspections and compliance follow-up inspections; and
- -- health and safety evaluations and enforcement assistance.

The education and training activities include, but are not limited to the following:

- reviewing, revising and approving operator training plans;
- coordinating, promoting and supporting cooperative training programs among industry, labor, states and MSHA;
- training instructors at mining operations and then monitoring the training conducted by the instructor;
- identifying mines eligible for Joseph A. Holmes safety awards;
- coordinating MSHA-sponsored or MSHA-state sponsored seminars and workshops; and
- developing, preparing, and distributing safety materials to MSHA, industry, state and local governments and labor.

Another important activity of the Metal and Nonmetal program is special investigations of alleged violations of protections afforded the miners by the Act. The 1977 Act provides for entitlement of miners to full pay when a mine or section of a mine is closed under an order issued pursuant to provisions of the Act. The Act protects the miner from discrimination, interference or discharge by management for filing complaints or testifying about an alleged danger or safety or health violation. Special investigations will also be conducted of possible knowing and willful violations of safety or health standards or regulations, advance notice of inspections, false reporting and nonreporting and misrepresentations of mining equipment as defined under the Act. Fatal and nonfatal serious accidents will continue to be investigated as required under the Act.

During FY 1991, special inspections will continue to be directed to gassy mines and other hazardous activities at operations such as shaft sinking, hoisting, and electrical installations or maintenance. Compliance follow-up inspections will be conducted to ensure that violations are corrected.

The 1977 Act also stresses protection of miners from toxic substances and harmful physical agents in mine environments. The core of Metal and Nonmetal's health program is the systematic monitoring of miners' exposures to harmful airborne contaminants and physical agents during regular inspections, other inspections and special surveys. The emphasis has been on silica dust (respirable quartz), noise, radiation (radon daughters), mineral fibers (asbestos), metallic dusts and fumes, toxic or asphyxiant gases, and organic and inorganic vapors. The Act requires development of improved health standards covering sampling procedures, medical surveillance, recordkeeping, and job transfers for miners suffering from occupational illnesses.

Metal and Nonmetal will continue its involvement in the regulatory review process to ensure that metal and nonmetal safety and health standards are more effective in protecting miners and are fair to industry.

An increase ~~of~~ $125,000 is requested for the leasing of motor vehicles through GSA. MSHA inspectors currently use GSA leased vehicles as well as MSHA owned vehicles for transportation to mine sites. Since it is more cost effective to lease, MSHA is requesting this increase to convert to an all leased fleet.

The following table identifies major workload categories and program output for the Metal and Nonmetal program:

	1989 Actual	1990 Estimate	1991 Estimate
Regular inspections	18,386	18,400	18,400
Other inspections	16,690	15,600	14,400
Total	35,076	34,000	32,800
Mines Covered	11,500	11,500	11,500

1990

During FY 1990, Metal and Nonmetal inspection personnel will conduct approximately 34,000 inspection and investigation events. Approximately 18,400 of these events will be regular inspections of metal and nonmetal mines. The remaining 15,600 events will cover such activities as compliance follow-up inspections, 103(i) spot inspections, accident investigations, special inspections and investigations, a reduced number of Compliance Assistance Visits (CAV), Program in Accident Reduction (PAR) evaluations, education and training assistance and evaluations, and audits of operator reporting of injuries and employment.

In FY 1990, Metal and Nonmetal will continue to emphasize the requirements of the Act. Major emphasis will be placed on required regular inspections and other mandatory activities. Metal and Nonmetal will also continue its comprehensive approach to safety and health. To achieve this, Metal and Nonmetal will emphasize programs designed to assist management and labor in improving safety and health conditions and practices in the mines. Detailed workplace inspections will be complemented by safety and health program analyses, education and training of miners and operators, and other assistance efforts on a reduced basis.

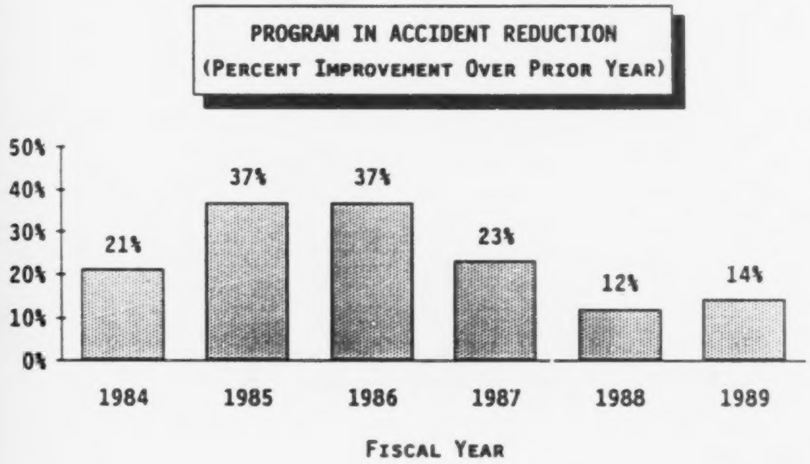
Metal and Nonmetal personnel will continue to participate in the regulatory review process to ensure that safety and health standards are more effective in protecting the miners and are fair to industry.

In FY 1990, Metal and Nonmetal will continue the MSHA Accountability Program. The program identifies a wide range of field activities and practices to be reviewed first at the field office level; secondly, at the district level; and finally at the headquarters level. The program requires that all districts and at least 50 percent of the field offices be evaluated annually; that evaluation techniques consist of review of work products; and that the evaluations be documented at all levels.

1989

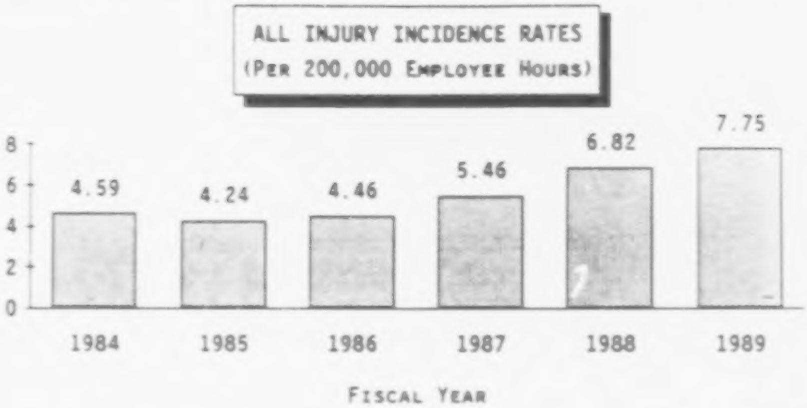
In FY 1989, Metal and Nonmetal continued to emphasize mandatory activities as required by the 1977 Act and continued to implement its field reorganization plan, targeted for completion in early FY 1990.

During FY 1989, Metal and Nonmetal personnel issued 48,362 citations and 1,095 orders of withdrawal. Metal and Nonmetal personnel conducted 35,076 inspection and investigation events. Of this total, 18,386 were complete regular inspections. The remaining 16,690 events were for activities such as compliance follow-up inspections, 103(i) spot inspections, accident investigations, special inspections and investigations, education and training assistance and evaluation, Compliance Assistance Visits (CAV) and Program in Accident Reduction (PAR) evaluations. These latter activities were important to the comprehensive approach maintained by Metal and Nonmetal. The success of these activities was demonstrated by their wide acceptance. For example, in FY 1989, 1,128 CAVs were requested by operators. The PAR program was again successful in improving the health and safety conditions of mines. The 30 mines in the FY 1989 program achieved a 14 percent reduction in the number of fatal and lost workday injuries. The following graph shows the reduction in lost time or disabling injuries in mines participating in PAR as compared to the previous years.

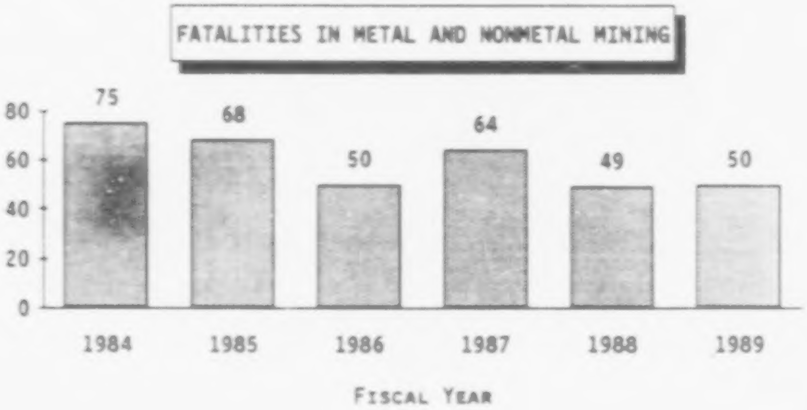


MSHA-24

The all injury incidence rate in 1989 was 7.75 compared to 6.82 in 1988. The following graph illustrates the all injury incidence rates per 200,000 employee hours from 1984 through 1988. The increased injury rate in 1989 may, in part, be a reflection of MSHA's increased emphasis on accurate injury reporting.


ALL INJURY INCIDENCE RATES
(PER 200,000 EMPLOYEE HOURS)

The number of fatalities increased from 49 in fiscal year 1988 to 50 in 1989. The fatality rate per 200,000 employee hours remained at .02. The following graph shows fatality trends since fiscal year 1984.


FATALITIES IN METAL AND NONMETAL MINING

Changes for 1991

Activity Changes:

Built-in:

Within-grade promotions	$220,000
Annualization of pay increase effective January, 1990	230,000
Pay increase effective January, 1991	681,000
Extra pay day	99,000
GSA space rental	50,000
Federal Employees' Compensation Fund	91,000
Travel	135,000
Transportation	11,000
Supplies	18,000
Total Built-in	1,535,000
Net Program	-$521,000
FTE	-8

Motor Vehicle Leasing

Proposal: To provide funds for the leasing of motor vehicles through GSA.

Rationale: MSHA inspectors require motor vehicles for transportation to mine sites. It is more cost-effective to lease the vehicles through GSA rather than maintain the currently owned MSHA fleet.

Program Effects: All MSHA-owned vehicles will be transferred to GSA.

Base:
FTE: -- Estimate: $910,000

Program Increase:
FTE: -- Estimate: +$125,000

Metal and Nonmetal Mine Safety and Health

Proposal: To provide for a decrease of 8 FTE.

Rationale: To provide for a reduction due to budgetary constraints.

Program Effects: The PAR program will be eliminated; the CAV program will be virtually eliminated; and one third of other compliance assistance activities will be eliminated.

Base:
FTE: 545 Estimate: $35,543,000

Program Decrease:
FTE: -8 Estimate: -$646,000

1991 Budget Request - (c) Standards

This activity provides for the development and promulgation of mandatory safety and health standards in order to ensure the best possible protection for the safety and health of all miners. Mandatory standards provide a benchmark for voluntary compliance and a legal basis for subsequent enforcement actions.

New and improved safety and health standards are proposed and promulgated on the basis of information submitted to the Secretary by any interested party, a representative of any organization of employers or employees, a nationally recognized standards-producing organization, the Secretary of Health and Human Services, the National Institute of Occupational Safety and Health, a State or political subdivision, or on the basis of information developed by the Secretary or otherwise available. All new standards, except emergency temporary standards, are promulgated under procedures providing the opportunity for public comment and in accordance with principles of regulatory reform.

During fiscal year 1991, MSHA will continue its efforts to review existing standards and projects and to determine their overall and individual adequacy and effectiveness in terms of the goal of reducing injuries and illnesses in the nation's mines in a cost-effective manner. MSHA will finalize rule-making on health standards relating to air quality. An important final rule concerning diesel equipment machine approvals for underground coal mines will also be published. MSHA also intends to publish final revised electrical standards for both coal and metal/nonmetal mines.

In accordance with Executive Order 12291, MSHA performs a regulatory impact analysis on all current or proposed major rules, and reviews current rules to identify duplicative regulations and/or regulations which are inconsistent with the Executive Order policy directives, and in addition, publishes a semiannual regulatory agenda. A regulatory impact analysis must describe the potential costs and benefits of a major rule, including those not quantifiable in monetary terms, to determine the net potential benefit of the rule. In addition, it must describe alternative approaches that might achieve the same regulatory goal at lower costs and state the legal reasons why the agency did not adopt one of the less costly alternative approaches. MSHA chooses the least burdensome alternative to any given regulatory objective which assures the safety of the miners involved.

The fiscal year 1991 request includes $270,000 to fund regulatory analyses by private contractors for the following standards: air quality, diesel-powered equipment in underground coal mines and hazard communication. Regulatory review necessitates an accurate and comprehensive analysis of the impact of the Agency's regulatory proposals on the nation's economy and health and safety of miners. Health standards, in particular, involve complex and often unique issues which must be assessed in order to estimate both costs and benefits. Such projects indicate a need ~~for~~ resources committed to providing a full analysis of the effects of regulatory proposals and alternatives. These analyses often require scientific expertise and facilities that are not available within the Agency. For many needs, for example, epidemiologists and biostatisticians, it would not be cost-effective for the Agency to have such capabilities in-house. As the Agency completes its review of several safety standards, increased emphasis will be placed on health standards. The use of contractors would allow the Agency to complete regulatory projects in a more efficient and timely manner, thereby more effectively meeting the Agency's mandate to improve the health and safety of miners.

All of MSHA's regulatory review activities are consistent with executive and legislative directives for improving regulations. MSHA's specific goals will be to eliminate unnecessary regulations, to conform them to state-of-the-art technology, reduce paperwork and reporting requirements, to clarify, where necessary, requirements and make them more cost-effective.

Petitions for modification of the applications of mandatory safety standards will be processed as rapidly as possible to further assure miner safety. In fiscal year 1991, approximately 250 variances will be processed. After initial review of petitions for variances and publications of notices in the Federal Register, this staff forwards the petitions to the appropriate enforcement office for investigation in accordance with the 1977 Act.

The following table identifies major workload categories and program output for the Standards Development program:

	1989	1990	1991
Regulations published			
Proposed	8	14	5
Final	7	10	10
	15	24	15
Standards and regulations in process	8	4	3
Variances processed	232	270	250

1990

During fiscal year 1990, work will continue on the review of metal and nonmetal regulations. Rulemaking will be finalized on metal and nonmetal standards for explosives and a proposal on electrical requirements will be issued.

Work will continue on the review of underground coal standards. The Agency expects to publish final rules for ventilation. MSHA intends to publish proposed rules related to the use of diesel equipment underground, underground electrical standards, refuse piles and impoundment dams, and four projects concerning recordkeeping burdens.

In the technical support area, the Agency will publish proposals related to the approval of diesel equipment in underground coal mines and a final rule concerning multishot blasting units.

Agency-wide regulatory initiatives will include proposals for hazard communication, air quality, and pattern of violations. In addition, approximately 270 variances will be processed to ensure adequate protection for the miner's safety.

1989

During fiscal year 1989, MSHA worked on a total of 23 standards and regulations. Final rules were published for automatic warning devices, explosive and blasting standards, and emergency parking brakes for all coal mines, qualified and certified persons, for underground coal mines. A revision to the approval requirements for electric mine lamps was also published.

Proposed rules were published for use of explosives and alternatives to berms at metal and nonmetal mines; roof bolt and roof support removal procedures for underground coal mines; and air quality standards, pattern of violations enforcement procedures and petition for modification procedures revisions for all mines.

Changes in 1991

Activity Changes:	
Built-in:	
Within-grade promotions	$7,000
Annualization of pay increase effective January 1990	8,000
Pay increase effective January, 1991	23,000
Extra pay day	3,000
GSA space rental	2,000
Federal Employees' Compensation Fund	9,000
Travel	1,000
Total Built-in	53,000
Net Program	$206,000
FTE	-1

Regulatory Analyses

Proposal: To provide funds for special studies and analyses for the following standards: air quality, diesel-powered equipment in underground coal mines, and hazard communication.

Rationale: Scientific expertise and facilities necessary for the development of these standards are not currently available in-house. It is more cost-effective to contract for these services rather than establish such capabilities within MSHA.

Program Effects: The use of contractors will allow MSHA to complete regulatory projects in a more efficient and timely manner.

Base:
FTE: -- Estimate: $0

Program Increase:
FTE: -- Estimate: +$270,000

Standards Development

Proposal: To provide for a decrease of 1 FTE.

Rationale: To provide for a reduction due to budgetary constraints.

Program Effects: Some regulatory projects will be delayed in order to maintain efforts on higher priority projects.

Base:
FTE: 17 Estimate: $1,359,000

Program Decrease
FTE: -1 Estimate: -$64,000

ASSESSMENTS

1990 Appropriation		1990 [1] Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
55	$2,235,000	53	$2,282,000	-2	+$47,000	51	$2,303,000	-2	+$21,000

[1] Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177.......... $11,000 and 2 FTE.

Introduction

The Federal Mine Safety and Health Act of 1977 mandates that all safety and health violations be assessed a monetary civil penalty. Civil penalties are intended to encourage voluntary compliance and can best promote safety and health if used in connection with serious violations.

The Assessments activity is responsible for all aspects of MSHA's civil penalty program, including assessment of penalties, accounting for all penalty cases in litigation before the Mine Safety and Health Review Commission and the Federal courts, and collecting and accounting for all penalties paid.

In proposing civil monetary penalties, the following statutory criteria are considered: the size of the mining operation; the history of previous violations; the degree of negligence; the gravity of the violation; the good faith effort to achieve rapid compliance and the effect of the proposed penalty on the operator's ability to remain in business. An assessment formula based on these criteria is used to determine the amount of the civil penalty for most serious violations. The violation citation and the inspector's evaluation are used as the basis for the agency's proposed assessment. Most non-serious violations that are timely abated are assessed a single penalty of $20.

Under MSHA regulations, the Assessments office may elect not to use the regular assessment formula or the single penalty assessment if the conditions surrounding the violations warrant. Special, usually higher, assessments are considered for severe violations--those which cause death, injury or illness or result from the operator's unwarrantable failure to comply, and other special circumstances.

1991 Budget Request

During fiscal year 1991, the primary function of the Assessments activity will be to assess civil monetary penalties for all violations of the Act consistently and in accordance with statutory criteria, to timely assess and process all violations, to assess penalties at a level that will encourage compliance, to account for all penalty cases in litigation, and to collect and account for all penalties paid. The fiscal year 1991 request provides for the assessment of 156,000 violations of the Federal Mine Safety and Health Act.

MSHA will continue a debt collection program for operators who do not pay, including the use of field personnel and a commercial collection agency to assist in this effort.

1990

In fiscal year 1990, the Assessments activity will continue to assess violations, to process civil penalty cases (preparing cases for adjudication when appealed to the Mine Safety and Health Review Commission) and to collect and account for all penalties paid.

The major accomplishments in fiscal year 1990 will be: to issue proposed assessments within a reasonable time for the 156,000 violations projected to be issued; to review all citations and orders for conformance to regulations and policy; to account for all penalty cases paid or in litigation; and to take collection action on unpaid cases.

MSHA has established an aggressive debt collection program for operators who do not pay their assessed penalties, including the use of MSHA field compliance personnel and a commercial collection agency. Uncollected penalties for those cases where the operator has not responded to MSHA's demand notice will be aggressively pursued by the field compliance personnel, and/or turned over to a commercial collection firm on the Federal Supply Schedule, as appropriate. Approximately $1,000,000 of uncollected penalties are expected to be given to the contractor in fiscal year 1990.

1989

In fiscal year 1989, the Assessments activity assessed 156,729 violations a total of approximately $16,400,000 -- a figure consistent with the prior year.

About 82 percent of the assessed cases were timely paid. MSHA continued an aggressive debt collection program in fiscal year 1989. MSHA field compliance specialists contacted debtors, collected delinquent civil penalties, arranged installment payment plans, identified uncollectible accounts and provided assistance to the Department of Labor and United States attorneys in claims litigation, judgment enforcement, and debtor examinations. In fiscal year 1989, the field specialists collected over $1,000,000 and set up installment payment plans totaling approximately $900,000.

Changes for 1991

Activity Changes

Built-in:	
Within-grade promotions	$15,000
Annualization of pay increase effective January, 1990	17,000
Pay increase effective January, 1991	49,000
Additional day of pay	7,000
Federal Employees' Compensation Fund	17,000
GSA space rental	3,000
Travel	1,000
Supplies	1,000
Total Built-in	110,000

Net Program .... -$89,000
FTE .... -2

Assessments

Proposal: To provide for a decrease of 2 FTE.

Rationale: To provide for a reduction due to budgetary constraints.

Program Effects: There may be some delay in the final determination of some assessments. Also, there would be a decrease in the collection efforts that can be pursued by MSHA compliance specialists because of reduced personnel. This would affect MSHA's ability to comply with the Federal credit/debt management regulations, policies and laws associated with the collection of civil penalties. Resources now directed to the collection of delinquent penalties would need to be redirected to the daily requirements associated with processing timely remitted collections. As a result, MSHA's overall collection rate would be adversely affected.

Base:
FTE: 53 Estimate: $2,392,000

Program Decrease:
FTE: -2 Estimate: -$89,000

EDUCATIONAL POLICY AND DEVELOPMENT

1990		1990 [1]		Difference		1991		Difference	
Appropriation		Estimate		App/Estimate		Estimate		1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
99	$13,675,000	95	$13,117,000	-4	-$558,000	92	$13,433,000	-3	+$316,000

[1] Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177...............$190,000 and 4 FTE.

Introduction

Educational Policy and Development (EPD) provides unified and comprehensive staff oversight on all matters related to MSHA's role in education and training activities in the MSHA district offices and at the National Mine Health and Safety Academy. In accordance with the statutory requirements of P.L. 95-164, EPD has the responsibility for developing, overseeing and implementing educational policy and programs to train government, industry and organized labor personnel to recognize, eliminate and prevent hazardous conditions in the mining environment.

The program functions that comprise this activity include:

-- initiating and implementing policies, regulations, and guidelines to ensure agency-wide uniform enforcement of 30 CFR Part 48 (Training and Retraining of Miners);

-- directing the design, development and implementation of mine health and safety educational programs, materials and systems;

-- reviewing appeals from industry concerning the application of 30 CFR Part 48 training regulations by providing a conduit for interpretation and clarification of technical training regulations;

-- assuring a strong education and training focus in district offices;

-- managing and operating the National Mine Health and Safety Academy to provide professional education and training services to all members of the mining community;

-- initiating and coordinating MSHA-wide special emphasis programs through district managers;

-- providing for technology transfer to industry, labor, and educational institutions through district managers;

-- maintaining liaison with other Federal and state agencies, associations, unions, etc., that have educational and training programs of interest to MSHA;

-- coordinating and evaluating Bureau of Mines' training-related research projects of interest to MSHA;

-- overseeing and coordinating the efforts of the Holmes Safety Association which serves as both a catalyst and clearing house for ideas in bringing grass roots safety and health programs and activities to the mining community; and

-- determining State Grants funding policies, directing the apportionment of State Grants funds, evaluating recipient state programs, monitoring programs and providing feedback on program accomplishments through the Academy and district offices.

1991 Budget Request

In fiscal year 1991, Educational Policy and Development will provide advisory oversight as needed to support MSHA's safety and health education and training needs. Major program emphasis will be on supporting MSHA's training requirements, assuring a strong education and training focus in the district offices, and responding to requests for specialized training programs and materials from the mining industry.

Programs will continue to emphasize education and training to complement the assistance role of the district manager and to coordinate the operation of the National Mine Health and Safety Academy with MSHA's education and training needs. New training materials, such as safety manuals, instruction guides, video tapes, slide/tapes and similar products will be developed to meet specific training requirements necessary to respond to health and safety problems in the industry. The Academy will also provide satellite delivery of health and safety programs for MSHA and the mining community.

The Academy will continue to participate in the development of training opportunities in field locations consistent with district and mine operator needs. These opportunities will be joint efforts involving the integration of Academy training to complement the on-the-job training conducted for mine inspectors at the district level and to assist industry in its identified training needs. Cooperative efforts with state agencies, educational institutions, industry and labor organizations will be continued.

The major workload categories and output for the Educational Policy and Development program are:

	1989	1990	1991
Student days of training	48,990	40,000	38,000
Miners trained (State Grants)	134,324	140,000	140,000
Publications distributed	2,008,816	1,061,000	1,082,000
Publications developed	12	10	10
Publications revised	3	8	9

	1989	1990	1991
Training materials developed			
Videos produced	20	16	16
Slide/tapes produced	20	19	19
Satellite programs uplinked	23	6	6
Grants - states participating	46	46	47

1990

Educational Policy and Development will focus its resources to provide unified and comprehensive staff oversight on all matters related to MSHA's role in education and training activities as well as operating the National Mine Health and Safety Academy.

During fiscal year 1990, the National Mine Health and Safety Academy will provide 40,000 student days of training to ensure that MSHA's mine inspectors, other Federal and state employees, and mining industry personnel are trained to recognize, eliminate and prevent hazardous conditions in the mining environment.

The development and distribution of video and slide/tape programs, workbooks, textbooks, laboratory manuals, safety manuals, technical publications and other educational materials to Federal Government employees, community colleges, vocational schools, mining and other industrial groups throughout the United States will continue.

The State Grants program will provide assistance to states requesting assistance through matching grant funds, to develop and enforce effective health and safety laws. Each state is eligible for grant funds based on the number of operating mines in the state.

EPD will continue to assist in upgrading the skills of instructors in the mining industry by conducting seminars, conferences and workshops. Aid will be provided to institutions of higher learning in developing materials on mine health and safety for inclusion in their mining curriculums.

1989

In fiscal year 1989, the following was accomplished:

-- increased cooperative efforts with all states and the Navajo Nation by holding an annual State Grants conference;

-- developed new or revised resident courses in areas such as repeat violation reduction, philosophical concepts of mine safety and health, health hazard recognition, basic sampling techniques, surface inspection procedures, surface blasting and Wordperfect workbook;

-- presented 117 courses at the Academy and various field locations for mining companies and labor organizations;

-- tailored courses for and assisted in providing training to several colleges, state inspection agencies, and other government organizations;

-- continued a fire fighting program for underground mines using actual equipment such as fire extinguishers, high pressure water hoses, rescue apparatus and firemen's turnout gear. The hands-on use of equipment for extinguishing actual fires is the center of this program which continues to generate requests;

-- held a National Mine Instructors' Conference. The purpose of this conference was to present new training materials, teaching techniques, and teaching aids to industry and college trainers, solve common problems, and share innovations and new materials;

-- conducted a total of 48,990 student days of training, of which 45,016 student days (with 21,757 people participating in training sessions, seminars and conferences) were at the Academy. A total of 3,974 student days of training were conducted or sponsored offsite by Academy personnel for 3,299 students;

-- distributed 2,008,816 publications and other educational materials,

-- developed videos and slide/tape programs in areas such as repeat violation reduction, fatal illustration, mine gases, roof and rib falls, roof control safety, compressed gases, latent image simulation exercise, fire extinguishers, cranes, brake demonstration stand, mine fire safety, definition of a miner, notepad training, relocation travel, and payroll and timekeeping;

-- developed and transmitted programs via satellite in areas such as thermal coal dryers, technology transfer, annual refresher training and Academy information;

-- developed instructor guides in areas such as roof and rib control, repeat violation reduction, first aid, new miner training and annual refresher training; and

-- developed miscellaneous training packages: Contractor Fatality, Coal Technician Manual, First Aid Safety Manual and Directory of Training Specialists.

Changes for 1991

Activity Changes:

Built-in:	
Within grade promotions	$31,000
Annualization of pay increase effective January, 1990	34,000
Federal Employees' Compensation Fund	33,000
Pay increase effective January, 1991	102,000
Additional day of pay in 1991	15,000
GSA rent	1,000
Total Built-in	216,000
Net Program	$100,000
FTE	-3

Facility Maintenance and Repairs

Proposal: To provide for repairs and maintenance of the National Mine Health and Safety Academy and for the replacement of Academy equipment.

Rationale: The Academy's facilities will be over 15 years old in fiscal year 1991. Some of the original equipment and systems are worn out and in some cases replacement parts are unavailable.

Program Effects: The increase will allow MSHA to replace some of the Academy equipment most in need of replacement and to provide for minor repairs and maintenance of the Academy facility.

Base:
FTE: -- Estimate: $0

Program Increase:
FTE: -- Estimate: +$280,000

Educational Policy and Development

Proposal: To provide for a decrease of 3 FTE.

Rationale: To provide for a reduction due to budgetary constraints.

Program Effects: The overall reduction in MSHA employment will result in a corresponding reduction in the training needs of the agency. Student days of training are expected to decline by 2,000 to a total of 38,000 student days in fiscal year 1991.

Base:
FTE: 95 Estimate: $13,333,000

Program Decrease:
FTE: -3 Estimate: -$180,000

TECHNICAL SUPPORT

1990 Appropriation		1990 [1] Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
330	$21,000,000	314	$20,185,000	-16	-$815,000	302	$20,555,000	-12	+$370,000

[1] Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177 .... $291,000 and 15 FTE.

Introduction

The Technical Support activity approves and certifies mine equipment, instruments, materials, explosives, and personal protective apparatus to reduce the risk of mine injury and illness, and collects, analyzes and publishes mine injury and illness data to uncover causes of mine accidents and injuries in accordance with the statutory requirements of P.L. 95-164.

Technical Support also provides specialized scientific and engineering support to MSHA and the mining industry by establishing criteria for environmental controls for health protection from analyses and samples collected by MSHA in coal and other mines, and by evaluating the safe design of mine ventilation and ground control. In the event of a mine disaster or other mine emergency, mine emergency response capability is maintained which includes specialized search and rescue equipment as well as on-site analyses and decision making for crisis management. Technical Support also investigates problems of compliance with safety and health standards and recommends solutions to the industry and to MSHA.

1991 Budget Request

In fiscal year 1991, Technical Support will continue to approve and certify mine equipment, instruments, materials, explosives and respirators. Specialized scientific and engineering support will also be provided to MSHA and the mining industry to promote health and safety by establishing criteria for environmental controls for health protection from analyses of samples collected by MSHA in coal and other mines, and by evaluating the safe design of mine ventilation and ground control.

Technical Support will continue to collect complete, current information on accidents/injuries/illnesses in the mining industry including mine, victim, and equipment identifiers as well as causal information. This information is coded, computerized and analyzed on a daily basis to provide up-to-date accident/injury/illness information to MSHA's inspectorate, engineering staff, and education/training staff so that agency resources can be effectively directed to areas of needs.

Mining industry injury information is published quarterly, providing employment hours, coal production, and injury incident and severity rates for all mines.

Mine emergency response capability will also be maintained to provide assistance in the event of a mine disaster or other mine emergency to protect the lives of miners and others. Equipment and support capability includes the specialized search and rescue equipment as well as on-site analyses and decision making for crisis management. Technical Support will also investigate problems of compliance with safety and health standards and recommend solutions to the industry and to MSHA.

The major workload categories and output for the Technical Support program are:

	1989	1990	1991
Equipment approvals	1,960	1,810	1,720
Respirable coal mine dust samples processed	77,527	100,000	100,000
Field investigations	524	484	460
Samples analyzed	52,400	46,400	41,296
Quality control actions	586	580	435

1990

During fiscal year 1990, resources will be used to: provide the technical information necessary to correct safety and health hazards associated with new technology in the mining industry; evaluate criteria for the promulgation of mandatory standards; conduct scientific and engineering investigations; process multidisciplined scientific and engineering approval investigations of equipment components, instruments, materials and explosives; process respirable coal mine dust and other environmental airborne samples for determination of compliance with air quality standards; conduct in-mine investigations and laboratory analyses; provide technical input for future engineering developments and ensure compliance with safety and health standards such as roof, ventilation, methane, and dust control plan approvals; collect and provide statistical and analytical data on accidents, injuries and illnesses in the mining industry to MSHA personnel and other interested parties; and maintain the mine emergency response capability.

Technical Support will continue evaluating programs and adjusting resources to address immediate safety and health issues. When possible, assistance will be provided to education and training, standards development, and other government agencies.

1989

In fiscal year 1989, Technical Support responded to 715 requests for technical assistance from the Administrators of the Coal and Metal and Nonmetal programs which resulted in 524 field investigations in underground and surface mines and associated surface installations. In addition, there were 191 laboratory investigations which included such areas as: rock mechanics, wire ropes, soils and roof bolts. Information included in resulted in timely operator compliance and provided mechanisms by which similar hazards could be abated.

Calibrations were performed on 3,063 noise dosimeters and calibrators, radiation meters, anemometers and electrical meters. All instruments used for determinations of compliance by Coal and Metal/Nonmetal are calibrated periodically to ensure continued accuracy in making determinations. All standards used are traceable to the National Bureau of Standards.

Technical Support engineers, at the request of district managers, reviewed 208 plans for design, construction and maintenance of waste embankments and impoundments. A detailed engineering evaluation report was prepared for each submitted plan.

During fiscal year 1989, Technical Support's Mine Emergency Operations (MEO) responded to one mine fire, one mine explosion and one tunnel explosion providing engineering, analytical, and logistical support to MSHA.

Changes for 1991

Activity Changes:

Built-in:

Within-grade promotions	$109,000
Annualization of pay increase effective January, 1990	120,000
Pay increase effective January, 1991	353,000
Additional day of pay in 1991	52,000
Federal Employees' Compensation Fund	17,000
GSA space rental	17,000
Travel	30,000
Transportation	3,000
Supplies	25,000
Total Built-in	726,000
Net Program	-$356,000
FTE	-12

Technical Support Equipment

Proposal: To provide for an increase in Technical Support's field and laboratory equipment.

Rationale: The increase will provide for the replacement of old field equipment and laboratory equipment which are in need of replacement because of the frequency of repairs and the difficulty in keeping the equipment operational.

Program Effects: By fiscal year 1991, about 13 percent of Technical Support's capital equipment will be over 15 years old and about 48 percent will be over 10 years old. With expected useful lives for much of this equipment being between 5 and 10 years, reliability and maintenance could adversely impact the ability to perform the necessary analyses, investigations and studies.

Base:
FTE: -- Estimate: $455,000

Program Increase:
FTE: -- Estimate: +$300,000

Motor Vehicle Leasing

Proposal: To provide leased motor vehicles for the transportation of technical support personnel to and from mine sites.

Rationale: A study completed by MSHA in fiscal year 1989, indicated a motor vehicle fleet leased by the General Services Administration (GSA) was the most cost effective means in providing motor vehicles for travel to mine sites.

Program Effects: The program increase provides for the replacement of the MSHA-owned motor vehicle fleet with GSA-leased vehicles. However, Technical Support will continue to maintain several specialized vehicles primarily used for mine emergencies, because they are not available from GSA.

Base:
FTE: -- Estimate: $73,000

Program Increase:
FTE: -- Estimate: +$15,000

Technical Support

Proposal: To provide for a decrease of 12 FTE.

Rationale: To provide for a reduction due to budgetary constraints.

Program Effects: Technical Support will continue to process the same level of respirable coal mine dust samples. This is a significantly automated system with the capacity of processing up to 100,000 samples annually and requiring a specific number of FTE in order to operate. However, there will be reductions in equipment approval actions, quality control investigations, field investigations and samples analyzed.

Base:
FTE: 114 Estimate: $20,911,000

Program Decrease:
FTE: -12 Estimate: -$671,000

PROGRAM ADMINISTRATION

1990 Appropriation		1990 [1] Estimate		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
174	$13,957,000	165	$12,484,000	-9	-$1,473,000	159	$11,443,000	-6	-$1,041,000

[1] Included in 1990 Estimate above:

Reduction pursuant to P.L. 99-177..........$194,000 and 8 FTE.
Comparative transfer to DOL Academy..............$0 and 1 FTE.

Introduction

The Program Administration activity provides leadership, policy direction, program policy evaluation, and administrative support services for MSHA's safety and health programs.

Executive direction is provided by an Assistant Secretary and staff offices responsible for information programs, legislative and Congressional liaison activities, program policy evaluation, and MSHA's equal employment program.

The Directorate of Administration and Management plans and directs the full range of administrative management and information technology services within MSHA ensuring that, through effective utilization of resources, MSHA remains a viable and efficient organization responsive to the changing policy and program needs of MSHA and the mining industry. Administrative support services include personnel management, financial management, procurement and contracting, employee training, safety and health programs for MSHA employees, records management, property management, management analysis and information technology.

1991 Budget Request

In fiscal year 1991, emphasis will continue to be given to work force planning, productivity improvements, and effective internal controls on all financial, programmatic and administrative functions, to minimize the potential for fraud, waste, abuse or mismanagement.

MSHA is reviewing its previous plan for the standardization of existing information systems and a unified agency-wide Information Systems Plan (ISP). MSHA will prepare cost-benefit studies, detailed system designs and conversion milestones as part of the information systems planning process. This process will help MSHA identify its major automatic data processing (ADP) issues and determine what the optimum configuration is for MSHA in terms of systems architecture and hardware/software utilization.

1990

The Program Administration activity will continue programs designed to provide administrative support for Federal mine safety and health activities at lower costs to the Government. Emphasis will be given to work force planning, productivity improvements, and effective internal controls on all financial, programmatic and administrative functions.

The Office of Program and Policy Evaluation (OPPE) will continue to coordinate and provide guidance on the internal control process for all program areas in MSHA. OPPE will be responsible for coordinating an agency-wide accountability program designed to increase quality, effectiveness and uniformity in all program areas. Additionally, OPPE will administer a program to coordinate the policy formulation activities within the Agency and to evaluate the effectiveness of agency policies and procedures.

MSHA will continue efforts toward the standardization of the existing MSHA information systems and toward the development of a unified ISP. MSHA plans to develop one management information system which is integrated using a data base management system that eliminates duplication to the maximum extent possible. During 1990 MSHA will begin the data base design phase necessary to satisfy the decision-making and operational requirements of all MSHA organizations. The data requirements document, which will be finalized in fiscal year 1990, will be used for the data design.

1989

In fiscal year 1989, MSHA continued to use an agency work force planning process. The benefits of the process were the annual identification of human resources necessary to accomplish program goals, an assessment of the current and projected work force in terms of these goals, and the identification of human resource activities necessary to obtain or maintain the required work force in the future. The process considered the geographic work force needs of the Agency as well as those related to major occupational series such as mine inspectors.

MSHA continued the ISP study, initiated during fiscal year 1987, which would eventually incorporate Coal, Metal/Nonmetal, Assessments, Educational Policy and Development, Technical Support and administrative systems into a unified information system structure. The purpose of the study was to examine MSHA's information requirements on an agency-wide basis, as part of MSHA's goal of consolidating and standardizing the Agency's information processing. This consolidation will facilitate the interchange of data among the systems, and it will simplify access by the various program areas to the information contained in the system.

In fiscal year 1989, MSHA completed the process of establishing the agency-wide functional requirements and data requirements for the new management information system. The mission functions of MSHA were integrated simulating the proposed management information system and its planned information technology environments. Issues arising from this integration were documented and incorporated into a functional requirements document that has been approved by MSHA program managers. Analyses were begun in order to establish where logical data groupings existed, to define the owners and users of that data and then to define the individual data elements that are needed to conduct MSHA business. A large portion of this task was in determining a common vocabulary for naming data throughout the program areas. Draft documents were forwarded to the program areas for approval to confirm that all data needed is available and in the proper format. From this, the data requirements document will be developed to be used in the data base design phase.

Changes for 1991

Activity Changes:

Built-in:

Within-grade promotions	$18,000
Annualization of pay increase effective January, 1990	60,000
Pay increase effective January, 1991	177,000
Additional day of pay in 1991	26,000
Federal Employees' Compensation Fund	36,000
Decrease in Working Capital Fund costs	-164,000
GSA space rental	24,000
Travel	7,000
Supplies	7,000
Total Built-In	191,000
Net Program	-$1,232,000
FTE	-6

Program Administration

Proposal: To provide for a reduction in the information systems planning for the eventual replacement of MSHA's ADP equipment.

Rationale: Budgetary constraints require a reduction in the ISP project in order to direct resources to higher priority programs in the President's budget.

Program Effects: The program reduction will delay the planned implementation of ISP, and it will require that the project be modified and redefined.

Base:
FTE: -- Estimate: $1,900,000

Program Decrease:
FTE: -- Estimate: -$1,100,000

Program Administration

Proposal: To provide for a decrease of 6 FTE.

Rationale: To provide for a reduction due to budgetary constraints.

Program Effects: The reduction of 6 FTE could result in a decrease in the level of administrative support services provided to the inspectorate as well as to the other program activities. There could be some delays in the processing of the various personnel, procurement and financial transactions, forms and documents.

Base:
FTE: 165 Estimate: $10,775,000

Program Decrease:
FTE: -6 Estimate: -$132,000

EDUCATIONAL POLICY AND DEVELOPMENT

STATE GRANTS PROGRAM

STATE TABLES

State	1989 Actual	1990 Estimate	1991 Request 1/
Alabama	103,850	122,491	122,491
Alaska	36,181	42,916	42,916
Arizona	97,500	118,000	118,000
Arkansas	63,500	66,856	66,856
California	184,921	205,000	205,000
Colorado	133,850	142,000	142,000
Connecticut	30,925	36,928	36,928
Delaware	--	11,988	11,988
Florida	65,000	81,000	81,000
Georgia	65,524	74,000	74,000
Hawaii	--	22,976	22,976
Idaho	69,228	79,000	79,000
Illinois	130,432	157,700	157,700
Indiana	88,000	105,000	105,000
Iowa	75,774	82,000	82,000
Kansas	72,675	87,000	87,000
Kentucky	565,000	655,896	655,896
Louisiana	51,849	47,000	47,000
Maine	55,466	62,000	62,000
Maryland	--	65,000	65,000
Massachusetts	71,441	80,000	80,000
Michigan	111,100	106,736	106,736
Minnesota	108,036	145,745	145,745
Mississippi	38,966	39,904	39,904
Missouri	112,559	125,724	125,724
Montana	47,458	50,096	50,096
Nebraska	61,954	72,832	72,832
Nevada	62,105	75,000	75,000
New Hampshire	12,000	19,724	19,724
New Jersey	45,262	51,904	51,904

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State	1989 Actual	1990 Estimate	1991 Request 1/
New Mexico	60,511	70,000	70,000
New York	215,000	232,520	232,520
North Carolina	88,838	96,500	96,500
North Dakota	40,198	46,928	46,928
Ohio	183,000	176,568	176,568
Oklahoma	101,862	111,000	111,000
Oregon	66,553	71,000	71,000
Pennsylvania	358,685	460,000	460,000
Rhode Island	--	7,100	7,100
South Carolina	43,745	45,000	45,000
South Dakota	47,541	50,000	50,000
Tennessee	110,821	125,724	125,724
Texas	185,078	210,556	210,556
Utah	91,571	96,820	96,820
Vermont	--	65,000	65,000
Virginia	211,811	235,000	235,000
Washington	127,000	133,000	133,000
West Virginia	287,000	375,000	375,000
Wisconsin	118,514	114,000	114,000
Wyoming	63,716	68,868	68,868
Puerto Rico	--	47,500	47,500
Virgin Islands	--	3,500	3,500
Navajo Nation	26,000	30,000	30,000
Total	4,988,000	5,904,000	5,904,000

1/ These amounts are based on the number of currently operating mines in each state.

ADVISORY AND ASSISTANCE SERVICES [1]

Type of Services	FY 90	FY 91
Advisory and Assistance Services..............	$21,000	$292,000
Total......................................	21,000	292,000

Justification for 1991 Request

Coal Mine Safety and Health ($22,000):

Funds are required in 1991 for the following two purposes:

- Mining disaster consultants-- MSHA has found it necessary on occasion to hire private sector mining experts to investigate certain mining accidents when the specific expertise required was not available within the Agency Funds are requested for two investigations at $7,800 each.

- Public service announcements-- A total of $6,400 is included for commercial production and distribution of announcements to caution mining community audiences about topical mine hazards.

Standards Development ($270,000):

Funds are required in 1991 for special studies and analyses required for standards development activities.

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[1] The Cabinet Council on Management and Administration (CCMA) defines advisory and assistance services as those activities funded under six categories of procurements found in the Federal Procurement Data System. These categories include: 1) Management and Professional Services, 2) Special Studies and Analysis, 3) Management and Support Services for Research and Demonstration, 4) Training, 5) Management Review of Program Funded Organizations, and 6) Public Relations.

STANDARD FORM 306
July 1948, Bureau of the Budget
Circular No. A-11, Revised.

MSHA-50

DETAIL OF PERMANENT POSITIONS

	1989 actual	1990 estimate	1991 estimate
Executive level IV	2	2	2
Subtotal	2	2	2
ES-5	4	4	4
ES-4	4	4	4
ES-3	1	1	1
ES-2	3	3	3
ES-1	1	1	1
Subtotal	13	13	13
GS/GM-15	44	44	44
GS/GM-14	97	97	91
GS/GM-13	393	392	370
GS-12	1,270	1,270	1,203
GS-11	212	212	200
GS-10	16	16	15
GS-9	151	150	143
GS-8	15	15	14
GS-7	100	100	94
GS-6	82	82	78
GS-5	276	276	262
GS-4	147	147	140
GS-3	43	43	40
GS-2	5	5	5
GS-1	6	6	6
Subtotal	2,857	2,855	2,705
Ungraded	13	13	13
Total Permanent Positions 1/	2,885	2,883	2,733
Unfilled Positions, end-of-year	214	291	141
Total permanent employment, end-of-year	2,671	2,592	2,592
1/ Worker-Trainee Opportunity Program positions included above	(15)	(15)	(15)
(Mono cast: 16.3)	(Mono cast: 4.9)	(Mono cast: 4.9)	(Mono cast: 4)

THURSDAY, MARCH 8, 1990.

OFFICE OF THE INSPECTOR GENERAL

WITNESSES

RAYMOND MARIA, ACTING INSPECTOR GENERAL

E.J. GERMAN, ASSISTANT INSPECTOR GENERAL FOR RESOURCE MANAGEMENT AND LEGISLATIVE ASSESSMENT

GERALD W. PETERSON, ASSISTANT INSPECTOR GENERAL FOR AUDIT

MICHAEL M. RYMAN, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

GUSTAVE A. SCHICK, ASSISTANT INSPECTOR GENERAL FOR LABOR RACKETEERING

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

Mr. NATCHER. At this time, we take up the budget request for the Office of the Inspector General. We have before the committee Mr. Raymond Maria, the Acting Inspector General. Mr. Maria, before we receive your statement, tell us who you have with you there at the table.

Mr. MARIA. Good morning, Mr. Chairman.

To my far left, Mr. Gerald Peterson, Assistant Inspector General for Audit. To my immediate left, Mr. Jerry German, Assistant Inspector General for Resource Management and Legislative Assessment. To my right is Gus Schick, Assistant Inspector General for Labor Racketeering, and Mr. McMullen, Director, Office of Budget.

OPENING STATEMENT

Mr. NATCHER. We will be pleased to hear from you.

Mr. MARIA. Mr. Chairman and Members of the subcommittee, I appreciate the opportunity to appear before you this morning and discuss the 1991 budget request for the Office of Inspector General.

As you know, this office was created by the Inspector General Act of 1978. The responsibilities we are charged to carry out include: recommending policies to prevent and detect fraud, waste, and abuse in DOL activities and programs, and to increase economy and efficiency; conducting, supervising and coordinating audits and investigations relating to DOL programs and activities; informing the Secretary of Labor and the Congress about problems and corrective actions taken in the administration of DOL activities and programs; and reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the Secretary and the Congress. Additionally, the Act assigned the DOL-OIG responsibility and authority to investigate organized crime's influence and impact upon labor organizations and upon employee pension and welfare plans, and other labor-related activities.

The OIG carries out its mission through four activities: the Office of Audit, the Office of Investigations, the Office of Labor Racketeering, and an Executive Direction and Management activity.

The 1991 budget request of the Office of Inspector General is for $49,029,000. This represents a net increase of $1,907,000 above the 1990 level. This requested increase will cover selected mandatory increases and allow the OIG to maintain about the same level of operations in fiscal year 1990.

Not included in this dollar amount, however, is the increased administratively uncontrollable overtime which will become effective in 1991. At the current rate, this is estimated to cost approximately an additional $700,000.

OFFICE OF AUDIT

The request for the Office of Audit, OA, activity totals $25,631,000 and 253 FTE.

In fiscal year 1991, OA will maintain broad audit coverage of Departmental programs and operations and management. OA will also continue to work with Departmental management on audit-identified problems to improve program operations and service delivery. Substantial fiscal year 1991 audit coverage will be dedicated to the areas of: Departmental Financial Management, DFM; Information Technology and Resources Management, IRM; Job Training Partnership Act, JTPA; Pension and Welfare Benefits Administration, PWBA; Program Fraud Civil Remedies Act, PFCRA; and Departmental contracts and grants.

Audit coverage of other Departmental programs and activities will reflect marginal changes. The requested amount includes $8,100,000 in audit contracting funds which, combined with the Office of Audit's 253 FTE, will enable continued review of critical Departmental programs and activities. At this level, OA anticipates performing 236 audits, reviews, and studies, and issuing 400 audit reports under the Single Audit Act.

OFFICE OF INVESTIGATIONS

The request for the Office of Investigations totals $8,180,000 and 111 FTE.

The Department of Justice Office of Legal Counsel's March 9, 1989 opinion, concerning investigative jurisdiction, has caused OI to alter its planned investigative activities to cover matters only involving DOL appropriated funds or misconduct by a DOL employee.

During fiscal year 1991, the OI will set priorities and focus its resources to address the significant problems in key Departmental programs, including JTPA, Federal Employees' Compensation Act, FECA, and ETA-Job Corps, as well as DOL employee integrity issues. Contracting and procurement issues which also involve potential criminal violations within these areas will also receive priority attention. The OIG's caseload projections for 1991 are lower, consistent with these plans and an emphasis on investigations of greater complexity and returns in terms of recoveries.

OFFICE OF LABOR RACKETEERING

The request for the Office of Labor Racketeering, OLR, activity totals $10,194,000 and 128 FTE .

OLR plans and implements an enforcement program to conduct investigations which are prosecuted by the U.S. Attorneys and appropriate state prosecutors.

OLR's enforcement program is founded on the premise that traditional organized crime and "white collar" criminals have penetrated certain labor organizations and used them as vehicles to abuse affiliated employee benefit plans and create criminal monopolies in certain labor intensive industries. Among these industries are: building and construction trades, waterfront, garment, trucking, waste disposal and tourism.

A unique feature of this enforcement effort is its commitment to long-term investigative projects designed to reach beyond the most visible violations and perpetrators in order to remove the insulated persons who represent the infrastructure of corruption. Such a concentrated focus also is intended to promote a continuous law enforcement presence in historically corrupt areas in an effort to create a credible deterrent.

In the labor racketeering spectrum, employee benefit plans represent an accumulation of liquid assets highly vulnerable to racketeering abuse. The organizational structure of some benefit plans, limited internal controls, and dishonest trustees, has created a system that may invite larceny. In this regard, employee benefit plan corruption will continue to be the highest investigative priority of OLR. Particular emphasis will be directed toward abuses in the delivery of medical, dental and optical benefits.

EXECUTIVE DIRECTION AND MANAGEMENT

The request for the Executive Direction and Management, EDM, activity totals $5,024,000 and 56 FTE.

The Executive Direction and Management activity provides for overall management direction as well as policy development, planning and review, legal counsel, legislative and regulatory assessment, and resources management, as well as information and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis.

At this level, EDM will maintain its management oversight of OIG program operations and continue to provide the traditional array of administrative support activities, including coordination of our participation in activities of the President's Council on Integrity and Efficiency, PCIE.

The Secretary approved our proposal to establish independent legal counsel for the Office of Inspector General, through the transfer of four attorneys and one clerical assistant from the Office of the Solicitor to OIG. This transfer has been effected in fiscal year 1990. All costs and positions associated with it are being absorbed by the OIG; the full impact of which, has yet to be determined.

Mr. Chairman, that concludes my statement. I would be pleased to answer you questions.

Mr. NATCHER. Thank you, Mr. Maria.

[The information follows:]

Statement by Raymond Maria
Acting Inspector General
Appropriations Subcommittee
Office of Inspector General
Department of Labor

Mr. Chairman, members of the subcommittee, I appreciate this opportunity to appear before you to discuss the Fiscal Year 1991 budget request for the Office of Inspector General (OIG), Department of Labor (DOL).

As you know, this Office was created by the Inspector General Act of 1978. The responsibilities we are charged to carry out include: recommending policies to prevent and detect fraud, waste, and abuse in DOL activities and programs, and to increase economy and efficiency; conducting, supervising and coordinating audits and investigations relating to DOL programs and activities; informing the Secretary of Labor and the Congress about problems and corrective actions taken in the administration of DOL activities and programs; and reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the Secretary and the Congress. Additionally, the Act assigned the DOL-OIG responsibility and authority to investigate organized crime's influence and impact upon labor organizations and upon employee pension and welfare plans, and other labor-related activities.

The OIG carries out its mission through four activities: the Office of Audit, the Office of Investigations, the Office of Labor Racketeering, and an Executive Direction and Management activity.

The 1991 Budget request of the Office of Inspector General is for $49,029,000. This represents a net increase of $1,907,000 above the 1990 level. This requested increase will cover selected mandatory increases and allow the OIG to maintain about the same level of operations as in FY 1990.

The request for the Office of Audit (OA) activity totals $25,631,000 and 253 FTEs.

In Fiscal Year 1991, OA will maintain broad audit coverage of departmental program operations and management. OA will also continue to work with departmental management on audit-identified problems to improve program operations and service delivery. Substantial FY 1991 audit coverage will be dedicated to the areas of: Departmental Financial Management (DFM); Information Technology and Resources Management (IRM); Job Training Partnership Act (JTPA); Pension and Welfare Benefits Administration (PWBA); Program Fraud Civil Remedies Act (PFCRA); and Departmental contracts and grants.

Audit coverage of other departmental programs and activities will reflect marginal changes. The requested amount includes $8.1 million in audit contracting funds which, combined with the Office of Audit's 253 FTEs, will enable continued review of critical departmental programs and activities. At this level, OA anticipates performing 236 audits, reviews, and studies, and issuing 400 audit reports under the Single Audit Act.

The request for the Office of Investigations (OI) activity totals $8,180,000 and 111 FTEs.

The Department of Justice, Office of Legal Counsel's March 9, 1989 opinion, concerning investigative jurisdiction, has caused OI to alter its planned investigative activities to cover matters only involving DOL appropriated funds or misconduct by a DOL employee.

During Fiscal Year 1991, the OI will set priorities and focus its resources to address the significant problems in key Departmental programs, including JTPA, Federal Employees' Compensation Act (FECA), and ETA-Job Corps, as well as DOL employee integrity issues. Contracting and procurement issues which involve potential criminal violations within these areas will also receive priority attention. The OIG's caseload projections for 1991 are lower, consistent with these plans and an emphasis on investigations of greater complexity and returns in terms of recoveries, improvements and impact.

In addition, OI will continue to support U.S. Attorneys and other investigative and prosecutive offices that have initiated investigations of suspected criminal activity involving DOL operations or program funds.

The request for the Office of Labor Racketeering (OLR) activity totals $10,194,000 and 128 FTEs.

OLR plans and implements an enforcement program to conduct investigations which are prosecuted by the U.S. Attorneys and appropriate state prosecutors.

OLR's enforcement program is founded on the premise that traditional organized crime and "white collar" criminals have penetrated certain labor organizations and used them as vehicles to abuse affiliated employee benefit plans and create criminal monopolies in certain labor intensive industries. Among these industries are: building and construction trades, waterfront, garment, trucking, waste disposal and tourism.

A unique feature of this enforcement effort is its commitment to long-term investigative projects designed to reach beyond the most visible violations and perpetrators in order to remove the insulated persons who represent the infrastructure of corruption. Such a concentrated focus also is intended to promote a continuous law enforcement presence in historically corrupt areas in an effort to create a credible deterrent.

In the labor racketeering spectrum, employee benefit plans represent an accumulation of liquid assets highly vulnerable to racketeering abuse. The organizational structure of some benefit plans, limited internal controls, and dishonest trustees, has created a system that may invite larceny. In this regard, employee benefit plan corruption will continue to be the highest investigative priority of OLR. Particular emphasis will be directed toward abuses in the delivery of medical, dental and optical benefits.

The request for the Executive Direction and Management (EDM) activity totals $5,024,000 and 56 FTEs.

The Executive Direction and Management activity provides for overall management direction as well as policy development, planning and review, legal counsel, legislative and regulatory assessment, and resources management, as well as information and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis.

At this level, EDM will maintain its management oversight of OIG program operations and continue to provide the traditional array of administrative support activities, including coordination of our participation in activities of the President's Council on Integrity and Efficiency (PCIE).

The Secretary approved our proposal to establish independent legal counsel for the Office of Inspector General, through the transfer of four attorneys and one clerical assistant from the Office of the Solicitor to OIG. This transfer has been effected in FY 1990. All costs and positions associated with it are being absorbed by the OIG; the full impact of which, has yet to be determined.

Mr. Chairman, that concludes my statement. I would be pleased to answer your questions.

Biographical Sketch

Raymond Maria

Acting Inspector General

Office of Inspector General
Department of Labor

Mr. Maria became the Deputy Inspector General for the Department of Labor on February 5, 1984 and has served as Acting Inspector General since October 1, 1989. In this capacity, he is responsible for planning, directing, and coordinating audits and investigations of department-wide programs. He also provides primary executive direction to the Inspector General's Office of Labor Racketeering.

Mr. Maria began his business career as a management consultant with Ernst and Whinney in Cleveland, Ohio, in 1968 after 3-1/2 years as a Special Agent with the FBI. He transferred to the auditing staff and completed the firm's accelerated accounting and auditing program at Miami University at Oxford, Ohio, and acquired an accounting major that led to his becoming a Certified Public Accountant. He left the firm in 1972 to rejoin the FBI.

As a Special Agent and supervisory official with the FBI, Mr. Maria concentrated on organized crime and labor racketeering. He was responsible for the direction of the South Atlantic and Gulf Coast phase of the government's investigation of waterfront corruption and the International Longshoremen's Association from 1975 to 1979. He also supervised major investigative projects involving the trucking and trade show and exposition industries in the Chicago area. Mr. Maria is also the author of articles on pension and welfare plan abuses and labor racketeering enforcement.

He was assigned to the U.S. Senate Permanent Subcommittee on Investigations from 1980 to 1981, with responsibility for coordinating field investigations that were the basis for public hearings on waterfront corruption and on the abuses within the Teamsters Central States Pension Fund.

A 1962 magna cum laude graduate of John Carroll University with a B.S. in social science, he received a master's degree in psychological counseling from Ohio University in 1965. He is a member of the American Institute of CPA's.

ACTING INSPECTOR GENERAL

Mr. Natcher. Tell us how long you have been the Acting Inspector General.

Mr. Maria. Since October 1, 1989.

Mr. Natcher. How long have you been employed in the Office of the Inspector General?

Mr. Maria. Since February 1984.

GRAMM-RUDMAN-HOLLINGS

Mr. Natcher. How much was your appropriation reduced, Mr. Maria, in 1990 by Gramm-Rudman sequestration?

Mr. German. That was $578,000.

Mr. Natcher. What impact is this reduction having on the office?

Mr. Maria. Essentially, it is a minimal reduction. Like everyone else, we can appreciate that there are fiscal constraints.

I can represent accurately that the integrity and scope of our programs have not been significantly diminished.

Mr. Natcher. Was the sequester amount restored in the 1991 budget, the reduction?

Mr. Maria. Yes, it was.

ADEQUACY OF BUDGET

Mr. Natcher. Your 1991 request represents a 4 percent increase over 1990, as you know. Is this budget fully adequate in your opinion to operate under?

Mr. Maria. With the exception of the area of administratively uncontrollable overtime and with the need to absorb the cost of having our own independent counsel, those are the two areas that I would have preferred some additional fiscal relief, but I am a realist.

Mr. Natcher. Are your so-called built-in cost increases fully covered or did you have to absorb some of them?

Mr. Maria. We have had to absorb mandatory pay raises and again, the administrative uncontrollable overtime cost, as well as the cost of our own independent legal counsel.

Mr. Natcher. Are you proposing any significant reductions in the budget?

Mr. Maria. We are proposing for 1991 a $1,200,000 reduction from trust fund revenues primarily as a result of the opinion from the Department of Justice.

We are seeking an appropriation from general funds as opposed to trust funds.

PAY RAISE

Mr. Natcher. What is the cost of the recent federal pay raise in 1990 for your agency?

Mr. Maria. The cost will be approximately $572,000.

Mr. Natcher. How will you absorb that amount?

Mr. Maria. Well, perhaps through not immediately filling all positions, entry level hiring, as well as cutting back on travel.

CURRENT EMPLOYMENT

Mr. **Natcher**. How many employees are currently on board?

Mr. **Maria**. 532.

Mr. **Natcher**. How many of those are auditors and how many are investigators?

Mr. **Maria**. We have 198 auditors and 179 investigators.

ENTRY LEVEL HIRING

Mr. **Natcher**. How much entry level hiring did you do in 1989.

Mr. **Maria**. We hired in 1989, at the entry level, some 13 auditors and investigators, Mr. Chairman, as opposed to 20 hires that were not entry level. About 39 percent of our hiring of auditors and investigators was entry level hiring.

ADEQUACY OF STAFF

Mr. **Natcher**. In your opinion, Mr. Maria, does the Inspector General's office have an adequate number of staff overall to do the job that should be done?

Mr. **Maria**. Being a realist, I am willing to represent that we can, in fact, do what is expected of us given the constraints that we must all face. Yes, we can do what is expected of us.

DEPARTMENT OF JUSTICE OPINION

Mr. **Natcher**. As you know, the justification mentions the Justice Department's legal opinion which was issued last year. That caused you to alter some of your activities. Just briefly, summarize this matter for the committee and tell us what impact it is having on your operation, if any.

Mr. **Maria**. Well, it has had an impact in terms of restricting the investigative scope of the Office of Investigations. Essentially, the opinion from the Department of Justice which was requested by the former Solicitor and Deputy Secretary of Labor restricted the Office of Investigations to conducting its inquiries into only those areas involving Department of Labor appropriated funds or employee misconduct.

Essentially, it put beyond the investigative jurisdiction of the Office of Investigations such matters as employee benefit plan corruption, criminal potential with respect to reckless endangerment in the area of occupational safety and health, and criminal violations of federal wage and hour statutes.

I have said in congressional testimony over the past seven months that this decision clearly is not in the interest of good government. It does not permit the Department of Labor to deploy federal criminal investigators against egregious criminal abuses.

It limits the investigative ability of the Office of Inspector General at a time when we have identified serious abuses in the criminal violations in occupational safety and health and clearly and very significantly in the area of employee benefit plan corruption.

We have federally trained criminal investigators, indeed, the only ones in the Department of Labor who are recognized by the Office of Personnel Management and designated as federal criminal investigators.

They are today kept from addressing federal criminal activity in the three areas I mentioned.

Mr. **Natcher.** Mr. Conte, I yield.

JOB TRAINING PARTNERSHIP ACT

Mr. **Conte.** Thank you Mr. Chairman Mr. Peterson, since 1985 auditors in your office have repeatedly accused the JTPA program of waste, fraud, and misuse of funds. In addition columnist Jack Anderson and Reader's Digest just ran negative articles about abuses within the program. What is going on with JTPA?

Mr. **Peterson.** I thought Mr. Anderson did a pretty good job of synopsizing it for you.

Mr. **Conte.** Not for me.

Mr. **Peterson.** Well, for the readers. We do think there are significant problems in JTPA. I think that the audit function has done a good job of identifying those problems to management. Let me also say I think management is doing an effective job currently in formulating some amendments to JTPA that we are confident will deal with the problem.

Particularly over the last couple of days I have been working with the Department in supporting Senate Bill 543. I think if we can get that through, I think that we are well on the way of taking care of the problems that we have identified for management and the JTPA program.

Mr. **Conte.** What about the fraud?

Mr. **Peterson.** Most of the fraud, sir, is coming through the mechanism of the so-called fixed unit price contract. It is a perfectly legitimate way of contracting until you combine it with something called "single unit charge".

Single unit charging is a concept introduced in the JTPA regulations, not the law but the regulations, which allows the SDAs/service providers to charge all contract costs to the training cost category without regard to the amount of actual administrative or support costs incurred in the performance of the contract.

Well, the system has for years been pretty top heavy in administration. So they saw a way of bypassing the congressionally mandated 15 percent administration ceiling through the use of the fixed unit price contract.

Those who administered the program started to use the fixed unit price contract mechanism in areas where it never was planned to be applied. For example, between levels of the government, where traditionally only actual costs of running the program were recovered.

Instead of the century old concept of recovering only costs, we started to see profits being generated by various levels of government as they delivered the JTPA program. I don't think that serves the target population very well.

I think, Mr. Conte, that the Administration has recognized that problem. I think that S. 543 represents, in my opinion, a very appropriate approach to correcting those problems, e.g. the elimination of "single unit charging." Certainly, we want to. The program is much needed.

Mr. **Conte**. There is no doubt about it. You hate to see money going down the rat hole.

Mr. **Peterson**. Absolutely. I do think the Administration currently is working in good faith to try to fix the problem.

AUDIT REVIEWS

Mr. **Conte**. Some states have merged services provided under JTPA and the Wagner-Peyser Act. The Office of Audit regularly reviews these programs. What have those reviews uncovered?

Mr. **Peterson**. It is an area that needs some attention. What we all too often find is in the blurring of those lines an awful lot of duplicative reporting. We are currently in an SDA in California in which the employment service and the JTPA, sitting in the same office building, are both taking credit for each person that is administered to. Now that is an area I think the Department of Labor needs to spend some time on, identifying what the roles are, do they intend those roles to be blurred.

If you look at the literature it is not very clear. Of course, with the reduced funding in the employment service area over the last few years, they are trying to get as many JTPA funds over there to stay healthy. It is an area that needs some attention.

I don't think, sir, over the last couple of years that it has received the attention that it deserves. I understand the Secretary is in the process of formulating a blue ribbon committee to look at the employment service in the 1990's, better late than never.

I think we need to do it.

Mr. **Conte**. Is there a little double dipping?

Mr. **Peterson**. Right, a lot of it.

Mr. **Conte**. You are asking for a little more accountability which is good. Will the JTPA amendments give you the tools for more accountability?

Mr. **Peterson**. If we can hold the line on 543 as it is now in the Senate, we are going to have the kind of accountability in JTPA to be sure it is serving the people intended.

Mr. **Conte**. That is in committee now?

Mr. **Peterson**. Yes.

ORGANIZED CRIME AND LABOR RACKETEERING

Mr. **Conte**. Mr. Maria, you have spent much of your life fighting organized crime and labor racketeering, are you satisified with the Department's efforts in those areas?

Mr. **Maria**. Clearly not.

Mr. **Conte**. Please tell me more.

Mr. **Maria**. Referring back to the Department of Justice opinion which has in fact been endorsed by the prior Secretary and the existing Secretary of Labor, I think that that is ill-considered support.

Basically, what it says is that the Office of Investigations, which has a demonstrated record of accomplishment for a very short period of time in addressing serious fraud and corruption in the employee benefit plan arena, cannot use its skills in the area of search and seizure, electronic surveillance, and cannot use those skills against professional racketeers. We are talking about people whose criminal activity is not technical or accidental.

We are talking about people who have for a livelihood pillaged and abused employee benefit plans engaging in such acts as economic extortion, kickbacks and embezzlement.

Now in my mind, it is very short sighted and ill-advised in a declining budget environment not to use those skills against very significant and indeed monumental problems; especially when you consider the fact that we are not only talking about pension plans but welfare plans which offer medical, dental, and optical services as well.

The literature today is very expansive on this particular point. We are in a crisis when it comes to group health insurance for the small employer, companies with fewer than 100 employees. Literature tells me that is one-third of the American workforce. Those companies today have a difficult time in attracting and retaining a qualified workforce, that is because affordable group health insurance is not available to them.

The insurance companies consider the small employer to be a high risk. There is high demand and no affordable coverage. This vacuum is being filled by self-funded trusts. A large number are nothing more than Ponzi schemes. They say they will provide group health coverage but in many instances do not. We have our Office of Labor Racketeering, which is aggressively applying resources in this area, and I could literally double our effort if it were not for the opinion from the Department of Justice and the fact that the Secretary of Labor endorses that opinion from the Department of Justice.

I think we need to be abundantly clear on this particular point. We are not talking about accidental criminal activity. I am talking about professional racketeers, people who were miscreants from the day they were born. How can anybody object to adding 10 or 15 or perhaps 20 more criminal convictions annually in the area of employee benefit plan abuse?

Again, my answer is no, we are not satisfied.

DEPARTMENT OF JUSTICE OPINION

Mr. **Conte**. Is there anything I can do to help?

Mr. **Maria**. Yes, you can. We have asked the Congress in our semi-annual report and in my most recent testimony. The Department of Justice is not going to recant on this particular opinion.

It is unlikely the Department of Labor will recant, as the Secretary of Labor is already on record as supporting it. What I have asked the Congress to do is to provide for a legislative correction to make it explicitly clear that the Office of Investigations, the Inspector General's traditional component, has jurisdiction in these criminal areas. Indeed, even in the Office of Labor Racketeering, we continually have to justify our jurisdiction. I think the Congress has to speak clearly on this particular issue and quickly.

Mr. **Conte**. Very good. I hope you are going to be as successful as Inspector General Kusserow at HHS. He has done a magnificent job. I have supported him 100 percent.

Mr. **Maria**. That is very gratifying. It is probably not too well known that he trained under me in Chicago.

RACKETEERING ABUSE

Mr. **Conte**. Your budget justification says that multi-employer, union affiliated, pension and welfare plans are highly vulnerable for racketeering abuse. How much abuse is there?

Mr. **Maria**. Mr. Conte, no one knows. We could regale you with statistical accomplishments on an annual basis. What we are attempting to do is not necessarily measure the abuse but identify the most egregious problems, the most significant amounts that are embezzled and kicked back and address them vigorously with criminal penalties, not fines or financial restitution.

Too often that is considered a cost of doing business. We would like to bring to bear remedies commensurate with the crime. That is jail, forfeiture of assets, not a promise to pay but the government's forfeiting and seizing the assets derived from ill-gotten gains.

We are trying to create a credible deterrent.

Mr. **Conte**. Before you were born, when I was a state senator in Massachusetts, I was chairman of the committee that investigated the heavy building and heavy construction pension fund. That is what started the ERISA program which the Federal Government copied.

We didn't have any staff, we didn't have any money. It was just haphazard investigations. We found all kinds of abuses in the program. For example, they had a dental program with no dentists. It was amazing.

Mr. **Maria**. It still occurs today.

Mr. **Conte**. I bet so.

Mr. **Maria**. The important thing to underscore here vis-a-vis the degree of abuse and what we can do about it, is that this is essentially a standstill budget. I am not asking for more money. I am not asking for more people.

I am just asking for the opportunity to investigate those things that require investigation.

INTEGRITY OF PENSION PLANS

Mr. **Conte**. Does that encompass everything that you are doing to protect the integrity of the pension plans?

Mr. **Maria**. We also have some very significant audit issues in process as we speak which are measuring the effectiveness of various programs within the Department. The Pension Welfare Benefits Administration is one of those programs.

There is going to be an effective and objective evaluation of how well they are discharging their responsibilities from both a criminal and a civil standpoint.

VULNERABILITY OF PLANS

Mr. **Conte**. I heard the Massachusetts health plan officials were just charged with violating ERISA. Protecting the $1.7 trillion in assets of the private pension funds through the enforcement of ERISA is a priority of OLR and the Department. How at-risk are those programs?

Mr. **Maria**. We have said and maintained that there are substantial differences in the laws and regulations which deal with pension and welfare plans. These differences create a window of opportunity for those who would abuse the various plans.

I think you can break down the deficiencies upon which this vulnerability statement is based. We are talking about the size of the universe, some 5 million welfare plans, approximately 870,000 private pension plans, a tremendous number, and against that universe the Department of Labor on any given day has fewer than 300 auditors and investigators to provide what should be a comprehensive program of review and investigation.

I think recent Congressional hearings have disclosed that given those numbers, far fewer than 1 percent of the plans even receive passing scrutiny. Point 2 deals with the fact that we have a situation where historically the Department of Labor has not conceptualized how to employ the independent public accountants' audits of these pension plans into the enforcement process.

We have had approximately four studies in this area in the past four years. They disclose that to date the auditor's work, and his work is mandated in pension plans with more than 100 participants, it is in the statute. His work has been perfunctory at best and they fail to disclose transactions which are departures from ERISA.

If you look at ERISA and why it was enacted, it was to create a very clear reporting and disclosure system which would keep plan participants informed. The idea, of course, was that the plan participants had the most to lose in assuring that management of a plan was not guilty of abuse or mismanagement.

ERISA was to give participants vital information in a clear fashion. We don't think that is happening. Point 3, if you look at the Department of Labor, you will see a fragmented enforcement process. You have four agencies whose work on a daily basis impacts one another, PWBA, PBGC, the Office of Inspector General and ESA's Wage and Hour Division. There is no coordination among those agencies, to date, that is adequate enough to assure there are Departmental priorities which would lead to the most egregious abuses being addressed.

Point 4, a significant one, is what we consider to be a flawed enforcement strategy, a reliance on civil restitution and a historical reluctance to pursue criminal remedies—indictment, conviction, jail and forfeiture—to pursue those remedies against the truly flagrant, malicious abuses.

Those are the vulnerabilities. I should say those are the factors leading to the vulnerabilities that we have maintained today exists.

Mr. Conte. I have many more questions. I will put those in the record and you can answer them as if I had asked the question.

Mr. Maria. We will be happy to do that.

Mr. Conte. We could talk a long time about this area.

Mr. Maria. We appreciate your interest.

CRIMINAL ENFORCEMENT

Mr. Natcher. Mr. Maria, your justification on page 12 states that "major issues have arisen regarding the effectiveness of criminal enforcement of laws by Departmental agencies. The Office of

Audit is conducting a major review of the strategies employed by Departmental agencies in pursuing criminal prosecutions."

What does this mean?

Mr. MARIA. Referring back to my response to Mr. Conte, we are very concerned about the Department in the areas of pension welfare benefit plans, occupational safety and health, and wage and hour violations. We are concerned that we have, in many instances, very flagrant, malicious abuses which are addressed with penalties that are not at all commensurate with the crime.

There has been a historical reluctance in the Department of Labor to apply meaningful criminal remedies. We believe that it is necessary to maintain the integrity of a program and to create some type of credible deterrent. We must create in the mind of those people who are regulated by these various agencies within the Department, that if you commit a serious transgression, not an accidental one or a technical one, that there is a strong likelihood that you will be caught and it will not be a painless remedy.

I think we should demonstrate to the public that serious abuses will not be tolerated; and if detected, there will be serious consequences. Too often today if you are engaged in white collar crime, a fine is a cost of doing business. We would like to disabuse people of that notion.

Mr. NATCHER. When would you expect this review to be completed?

Mr. MARIA. I am informed by Mr. Peterson that we anticipate completing it by June.

ERISA ENFORCEMENT

Mr. NATCHER. You have expressed in your recent semi-annual reports to the Congress fairly strong views concerning the Department's inadequate enforcement of ERISA and potential federal liabilities in the pension insurance area.

Has the top management of the Department and in particular the Pension and Welfare Benefits Administration been responsive to the I.G.'s concerns in this area?

Mr. MARIA. They have been responsive with respect to our suggestions for improving the audit process, the role of the independent public accountant. Essentially they have by and large agreed with our recommendations that the audit work of the independent accountant must in fact be made meaningful and realistic and should be integrated into the overall enforcement function.

Where we differ is on the issue of enforcement strategy and our contention that there historically has been an inordinate reliance on civil remedies. They support the Department of Justice's position that the Office of Investigations should be precluded from conducting investigations of benefit plan corruption.

As I mentioned earlier, thus far with that opinion, only the Office of Labor Racketeering is recognized as having investigative jurisdiction in this area. There are very serious abuses especially dealing in the area of employee welfare plans, medical services, dental and optical.

We have some compelling evidence of corruption today that could in fact be addressed expeditiously and effectively if we could employ the Office of Investigations.

The Pension and Welfare Benefits Administration is on record as saying they do not want the Office of Investigations conducting criminal investigations into this area.

Mr. **Natcher**. In your opinion will the Department request for a substantial additional staff for ERISA enforcement make a significant difference?

Mr. **Maria**. We are not prepared to say that adding additional staff will in fact improve the enforcement process. Too often that is a traditional government agency cry for every problem—give me more money and give me more people. One of our concerns is, if you will indulge a sports metaphor, if the game plan is flawed, I don't know if drafting additional people will insure you of victory.

IRM ACTIVITY

Mr. **Natcher**. How extensive is your involvement in the Department's information technology and resources management activity? What is your role as far as this is concerned?

Mr. **Peterson**. We have a staff of 25 that are constantly involved in the IRM activities of the Department; that is monitoring the procurement of technology, monitoring and auditing the implementation of technology as well as the systems.

I think that we have had a very effective role in seeing that the Department is implementing its technology through contractors, on an appropriate basis. So I think we have had a very aggressive position on IRM.

Mr. **Natcher**. Mr. Stokes, I yield to you.

Mr. **Stokes**. I have no questions, thank you.

Mr. **Natcher**. Mr. Conte?

Mr. **Conte**. I have no further questions. I want to wish Mr. Maria well. You can definitely rely on my cooperation. Feel free to talk to me at any time.

Mr. **Maria**. We appreciate your interest.

Mr. **Natcher**. Mr. Maria, we want to thank you and your associates for appearing before our subcommittee at this time. This concludes the hearings on the Department of Labor for the budget for fiscal year 1991.

Mr. Maria, you and others here in the room from the Department can inform the Secretary of the Department of Labor that the hearings have been good this year. They have been exceedingly good. As we pointed out to Mrs. Dole when she was here, we appreciate the assistance we have received from the Department.

Mr. Maria, you can also assure her that we will bring her out a good bill. She will not be able to brag much about it, but we will bring her a good bill and one that she will like.

Thank you very much.

Mr. **Maria**. Thank you.

[The following questions were submitted to be answered for the record and the justifications follow:]

INFORMATION TECHNOLOGY

Mr. Natcher: In your opinion, is the Department proceeding in a sound manner as far as information technology is concerned?

Mr. Maria: In the past, the Department's management of information technology has been evaluated and severely criticized by the oversight agencies (GAO, GSA, and OMB) and the Inspector General. During the past couple of years, I believe the Department has improved its management of information technology. For example, the Department has established a long-range planning process and a standardized information technology architecture. The Department has centralized policy development and oversight.

The basic problem with the Department's management of information technology is that policy and procedure are not always followed nor are decisions to depart from policy and procedure documented. At the Department level, oversight functions are not always adequately performed. This lack of oversight has impacted on departmental system development efforts and on IR acquisitions, discussed later in this testimony.

While I believe the Department is proceeding in a sound manner, I will continue to schedule audits of information resources management.

SIGNIFICANT AUDIT PROJECTS

Mr. Natcher: What are the most significant projects currently under way in the Department?

Mr. Maria: The Office of Audit currently has several projects under way which are important to improved and successful departmental programs and operations:

a) Financial Statement Audits of Major DOL Agencies - Beginning for FY 1986, the Office of Audit undertook the task of compiling and auditing Financial Statements in accordance with generally accepted accounting principles (GAAP) for both the major agencies of the Department and the Department as a whole. This effort continues today.

   These Financial Statement Audits, aside from introducing sound accounting principles to agency and departmental fiscal management, have had the effect of improvement in financial management practices, internal control practices and fiscal reporting in many agencies of the Department.

b) Reviews of the Implementation of the new Departmental Accounting System - The Department is implementing the Department of Labor Accounting and Related Systems (DOLAR$), an automated accounting system; its purpose is to meet all Federal and departmental accounting and reporting needs. We are providing both technical assistance (primarily accounting) and performing oversight reviews to assist in the successful implementation of the DOLAR$.

Our reviews are dual purposed: one is to insure that the automated accounting system does, in fact, meet professional accounting standards, and the other is to ensure adequacy of the hardware and software that will deliver the DOLAR$. Implementation of this system, scheduled to be completed by October 1, 1989, is behind schedule.

c) Status of Criminal Enforcement in the DOL - A major review is under way to assess criminal enforcement for those DOL statutes which have criminal penalties.

We are currently in the data gathering stage of this review, which we expect to be completed by the end of April. We expect that analysis of this information, in conjunction with dialogue with departmental management, has the potential to increase the effectiveness of criminal enforcement efforts in the Department.

d) Effectiveness of the Single Audit Act - The objectives of this major audit effort are to determine the extent of audit coverage and effectiveness of audit coverage of DOL funds subject to the Single Audit Act of 1984.

About 85 percent of DOL funds are granted or contracted to state and local governments and are subject to Single Audit. Therefore, the adequacy of coverage for the majority of DOL funds depends almost exclusively on the adequacy of coverage provided by the Single Audit. We expect to report on our findings in our September 30, 1990 Semiannual Report to the Congress.

e) Job Corps - We have several projects under way, the overall purpose of which is to determine the financial status and outcomes of the program and provide a model framework for the determination of return on investment.

To accomplish this we have distinct, yet linked, projects to:

- compile and audit Job Corps financial statements,
- perform Financial and Compliance audits of selected Job Corps Centers,

- compile and audit Job Corps program statistics, and

- a cost and output analysis of audited financial and program statistics statements, which represents a major step in the determination of return on investment.

f) JTPA Program Outcomes - We have completed the field work for a project whose objective was to measure actual program outcomes for a certain JTPA Service Delivery Area (SDA). The report on this will be out shortly.

We plan to expand this project to other SDA's to both refine the collection methodology and enlarge the data base of verified program outcomes. We believe that this effort is a step in the direction of developing a methodology for calculating a return on investment for JTPA Title IIA operations.

g) PWBA Exemption Processing - We are performing an audit of the exemption (to transactions prohibited under the ERISA) process conducted by the Pension and Welfare Benefits Administration, and allowed by Section 408 of the Act, in response to requests from benefit plan administrators. We expect the field work for this audit to be completed in about 2 months.

JOB TRAINING PARTNERSHIP ACT

Mr. Natcher: Has the Department responded in an adequate way to the concerns raised by the Inspector General with regard to the Job Training Partnership Act?

Mr. Maria: Mr. Chairman, as you know, the Congress is currently considering amendments to the JTPA, so I will respond to this question on 2 levels -- with regard to individual audit findings and with regard to weaknesses of the JTPA legislation which the amendments are intended to correct.

We have been performing audits of the JTPA for several years. The OIG and ETA do not agree on every audit issue; however, I am pleased to report that, for the most part, ETA has been supportive of our JTPA audit findings. On occasion, ETA will request that we perform a specific audit. Our working relationship on this level has been excellent.

With respect to the JTPA amendment process, the OIG has defined certain weaknesses in the original legislation which we hope the amendment process will correct. The major of these are improved targeting of most-in-need eligible population and the elimination of the "single unit charge" system. We believe S543 will remedy these deficiencies and support its passage.

FRAUDULENT JTPA PRACTICES

Mr. Natcher: On page 3 of your latest semiannual report you say that your audits and investigations are "disclosing potentially abusive and fraudulent practices by JTPA grantees and contractors." Can you elaborate a little on what you are finding?

Mr. Maria: This quote is taken from the "Inspector General's Message" from the Semiannual Report for the period April 1 - September 30, 1989. The Inspector General's Message is intended to only highlight those issues which the Inspector General wishes to bring to the attention of the Congress; substantive information is contained in the body of the report.

For this semiannual report, Office of Audit elaboration on this comment can be found on page 17 under the rubric "Job Training Partnership Act (JTPA)," and on page 29 under the rubric "OFFICE OF AUDIT, Job Training Partnership Act (JTPA): How Do We Know Who Benefits?" Office of Investigations comments are found on page 42 under the rubric "Job Training Partnership Act (JTPA)."

For the semiannual report for the period October 1, 1988 - March 31, 1989 elaboration on the comment, while not as extensive, can be found on page 44 under the rubric "Program Abuse" for the Office of Audit and on page 24 under the rubric "Program Related Fraud" for the Office of Investigations (OI).

Through its investigations, OI has uncovered abusive and fraudulent practices and fraudulent cost reimbursements. The following narratives illustrate OI's findings:

The former president and chief executive of the Lake County Job Training Corporation (LCJTC), recently entered into a plea agreement and was sentenced to one year in prison. LCJTC is the JTPA grant recipient and administrative entity for the Lake County, Indiana service delivery area. Our Chicago office found that this individual solicited and accepted at least $32,580.00 in cash and property, including a diamond ring, from six LCJTC job training contractors. The contractors believed that they would either lose or not receive their JTPA contracts if they didn't comply with the subject's demands for money and property.

On March 9, 1990, a federal jury in the Northern District of Mississippi convicted a JTPA contractor on five counts of mail fraud and one count of embezzling JTPA funds. The contractor, who had agreed to hire and train ten JTPA participants as concrete workers, was charged with submitting false invoices for JTPA reimbursement. Under the agreement the contractor was to pay a pre-determined wage for an established number of work hours in return for reimbursement of 50% of the wages paid. Participants testified that they did not work the hours or receive the wages that the contractor had reported.

A husband and wife team were sentenced on January 30, 1990 in Houston, Texas, to two years in jail for defrauding the JTPA program. The two individuals owned an insurance agency and received a substantial JTPA contract to provide secretarial, computer, and insurance training. The two submitted false vouchers and time sheets for people who had never worked for the insurance agency and for participants who worked less than the hours reported and at a wage rate far below the contract amount.

A Michigan businessman was convicted of stealing JTPA funds. The businessman, president of a bakery, entered into a job training contract with the Greater Pontiac Area Consortium to employ and train disadvantaged individuals in the ethnic baking trade. The investigation disclosed that the individual enrolled ineligible participants in the JTPA program and inflated hours worked by the participants on claims for reimbursement. While under investigation, the subject unsuccessfully attempted to obtain another JTPA contract, in the amount of $45,000.

A Texas attorney pleaded guilty January 11, 1990 to a criminal charge of theft of JTPA funds. The attorney was the executive director of an organization that operated a "Governor's Model Youth Program" with JTPA funds from the time of its creation until February 1988 when an OI investigation revealed financial irregularities and program participants living in squalid conditions. The investigation disclosed that between September 1986 and January 1988, the subject issued himself unauthorized paychecks and payroll advances.

An insurance salesman and former mayor of a small Georgia town entered a plea on February 27, 1989 to a charge of theft by conversion. Over a three-year period, this individual collected premiums for workers' compensation insurance from the Oconee Area Planning and Development Commission, but failed to remit the premium to the company. As a result 1,130 JTPA participants were not provided this protection.

On February 4, 1988 the former Executive Director of Mingo County, West Virginia, Economic Opportunities Commission (EOC) pled guilty to charges against him, including a charge that he paid three EOC employees with JTPA funds although they were doing other work. The loss in JTPA funds was almost $88,000.

OFFICE OF AUDIT CONTRACTS WITH INDEPENDENT PUBLIC ACCOUNTING FIRMS (IPAs)

Mr. Natcher: How many audit contracts do you presently have in force?

Mr. Maria: The Office of Audit has 27 contracts for audit services with Independent Public Accounting firms presently in force. These contracts were competitively awarded in November 1988 under a Small Business Setaside for one year with two option years. The second option year for all 27 contracts was exercised in November 1989.

Mr. Natcher: Provide a list of those for the record showing the amount of each and the subject matter.

Mr. Maria: A list of the OIG contractors is provided below along with their labor hour contract minimums and the amount obligated for each in Fiscal Year 1989.

CONTRACTOR NAME AND ADDRESS	CONTRACT MINIMUMS SECOND CONTRACT YEAR	AMOUNT OBLIGATED INCLUDING TRAVEL FY 1989
Harry F. Shea & Company Certified Public Accountants 20 North Wacker Street Chicago, IL 60606	$71,000	$114,169
Robert S. Marquez Certified Public Accountants 8013 Marble N.E., Suite B Albuquerque, NM 87110	$79,200	$106,213
Davis, Graves & Company Certified Public Accountants 2211 Norfolk, Suite 145 Houston, TX 77098	$74,900	$117,385
Sanson, Kline, Jacomino & Co. Certified Public Accountants 780 N.W. LeJeune Road Suite 600 Miami, FL 33126	$77,305	$207,725

Jack Martin & Company Certified Public Accountants 30150 Telegraph Road Suite 155 Birmingham, MI 48010	$79,412	$97,548
Conrad & Associates Certified Public Accountants 1100 Main Street, Suite C Irvine, CA 92714	$95,100	$261,679
George Rabb, Jr. Certified Public Accountants 1683 North Claiborne Avenue New Orleans, LA 70116	$76,941	$104,275
Hagaman, Roper, Haddox & Reid Certified Public Accountants 1400 Deposit Guaranty Plaza P.O. Drawer 22507 Jackson, MS 39205-2507	$104,250	$153,187
Bert W. Smith & Company Certified Public Accountants 201 Kennedy Street, N.W. Washington, DC 20011	$85,803	$151,198
Quezada Navarro & Company Certified Public Accountants 2831 Camino Del Rio South Suite 306 San Diego, CA 92108	$95,845	$560,790
Leonard G. Birnbaum & Company Certified Public Accountants 6285 Franconia Road Alexandria, VA 22310	$86,600	$520,299
Mitchell/Titus & Company Certified Public Accountants 2 Park Avenue New York, NY 10016	$98,800	$119,081
Sorensen, Chiodo & May Certified Public Accountants 3801 East Florida Avenue Suite 601 Denver, CO 80210	$100,600	$251,070

Lucas, Tucker & Company Certified Public Accountants 733 15th Street, N.W. Suite 926 Washington, DC 20005	$79,845	$96,062
Tichenor & Eiche Certified Public Accountants 911 Shelbyville Road Suite 104 Louisville, KY 40223	$98,075	$243,744
Dodd, Frazier, Jefferson and Talley Certified Public Accountants Wynnewood Office Plaza Suite 201 501 Wynnewood Village Dallas, TX 75224	$100,600	$144,258
Tarica & Company Certified Public Accountants 3340 Peachtree Road Suite 1560 Atlanta, GA 30026	$110,912	$158,190
Williams, Young & Associates Certified Public Accountants 2901 West Beltline Highway P.O. Box 8700 Madison, WI 53713	$118,000	$526,591
Brcden, Johnson, Lee & Assoc. Certified Public Accountants 1150 Griswold, Suite 2200 Detroit, MI 48226	$81,030	$169,165
T. R. McConnell & Company Certified Public Accountants 1545 Sumter, Suite 200 Columbia, SC 29201	$102,500	$318,667
M. D. Oppenheim & Company Certified Public Accountants 255 Old New Brunswick Road Piscataway, NJ 08855	$113,788	$350,954
O'Neal & Saul, P.A. Certified Public Accountants 8255 Dunwoody Place Atlanta, GA 30350	$115,170	$389,465

Metcalf, Zima & Company Certified Public Accountants 24th Floor One Atlanta Plaza 950 East Paces Ferry Road Atlanta, GA 30329	$112,975	$568,090
Foxx & Company Certified Public Accountants 700 Goodall Complex 324 West Ninth Street Cincinnati, OH 45202	$104,500	$234,817
DeMiller, Denny, Word & Co. Certified Public Accountants P.O. Box 24027 Jackson, MS 39225-4027	$112,760	$403,867
Hazlett, Lewis & Bieter Certified Public Accountants Tivoli Center, Suite 300 701 Broad Street Chattanooga, TN 37402-1800	$113,200	$539,828
Gilbert Vasquez & Company Certified Public Accountants 510 West Sixth Street Suite 400 Los Angeles, CA 90014	$118,420	$164,331

DESCRIPTION OF WORK PERFORMED:

All firms under contract with Department of Labor, Office of Inspector General are required to provide professional accounting/audit services supportive of OIG. These Contractors have been asked to provide technical assistance and training, expanded scope audits, economy and efficiency audits, program results audits, full scope audits, financial and economy audits, indirect cost audits, or other types of audits required by the OIG. In addition the Contractors have been required to conduct surveys, provide technical expertise and perform forensic auditing.

Mr. Natcher: How much do you budget for these contracts?

Mr. Maria: For Fiscal Years 1989 and 1990, $7.8 and $7.5 million respectively, was budgeted for these contracts. For Fiscal Year 1991 $8.1 million has been requested.

SIGNIFICANT FY 1989 AUDIT REPORTS

Mr. Natcher: Provide a list of your most significant audit reports for fiscal 1989, along with the major recommendations contained in each one.

The UI Program Needs to Improve the Internal Controls Over Trust Fund Accounting and Reporting Activities - Draft - FY 1989, Final - FY 1990 (pg 23, 9-30-89 Semiannual Report):

> We have recently completed and reported on the adequacy of state unemployment insurance trust fund accounting systems, particularly with regard to the accuracy of experience rating information and Federal reporting.
>
> Our findings were distressing. State accounting systems are seriously inadequate to accomplish their objectives to fully account and report on these funds. We recommended that ETA develop a long-range plan, with intermediary milestones, to develop and improve SESA/UI general ledger systems and to monitor the adequacy of SESA accounting operations.

Audit of Treasury's Administrative Charges to the UI Trust Fund:

> During this audit we discovered that DOJ inadvertently overcharged the UI Trust Fund about $25 million for the Fiscal Years 1985-1988. DOJ has subsequently credited the Trust Fund account for these overcharges.

Changes are Needed in the ERISA Audit Process to Increase Protections for Employee Benefit Plan Participants (pg 12, 9-30-89 Semiannual Report):

> We have determined that there are serious deficiencies in the current audit procedures for welfare and benefit plans covered by ERISA. The major deficiencies are: limited scope audits (exempt assets held in trust), failure to meet generally accepted auditing standards (GAAS) and failure to meet disclosure requirements.
>
> We have recommended legislative changes to ERISA to require full scope audits and direct reporting by IPA's to PWBA. In addition, we also recommended that PWBA work with the AICPA to improve compliance of plan audits and reports with GAAS.

Review of PWBA ERISA Public Disclosure Function (pg 12, 9-30-89 Semiannual Report):

> The ERISA requires that the PWBA administer the public disclosure of certain benefit plan information. Our review determined that up-to-date

plan information is not consistently received from benefit plan administrators, and that controls over requests for plan information were not sufficient to meet either the disclosure requirements or legislative intent.

Houston Job Training Partnership Council (pg 17, 9-30-89 Semiannual Report):

This was primarily a financial and compliance audit of a major service delivery area (SDA) JTPA grantee for program years 1986 and 1987. In addition to recommended improvements in the SDA procurement and monitoring systems, the report questioned over $700,000 in costs, primarily for unsubstantiated claims for training and placement activities.

Mississippi SDA Summer Youth Remedial Education Contract (pg 17, 9-30-89 Semiannual Report):

This audit of a fixed unit price contract between the Mississippi Service Delivery Area and the Mississippi Department of Education (4-1-88 to 9-16-88) determined that profits of $1.2 million were neither necessary nor reasonable costs of operating a component of the JTPA Summer Youth Program.

Federal Equity in Real Property (pg 24, 9-30-89 Semiannual Report):

This audit has identified real property for which the Federal equity in the fair market value could approximate $1 billion. This audit also identified poor accounting and control procedures over these assets, and dispositions of real property in which Federal equity existed and for which DOL was not properly compensated by the state.

Lake Michigan SDA JTPA Summer Youth Program (pg 17, 9-30-89 Semiannual Report):

This review identified payments for unnecessary services to place college students in summer jobs, some of which were subsidized by JTPA funds. While the amount of funds was not comparatively great, about $33,000 in unallowable JTPA expenditures, the potential for like situations to exist is considered great.

Kentucky JTPA (pg 44, 3-31-89 Semiannual Report):

This report determined that $2.6 million of JTPA Title II training funds were used to serve ineligible participants at the Toyota Motor Manufacturing Plant. The State of Kentucky has returned the $2.6 million of unallowed costs to the Department of Labor.

General Accountability for Job Corps (3-31-89 Semiannual Report):

> The Office of Audit has completed several related projects which have a similar objective, to increase the effectiveness and accountability of Job Corps programs. These projects fall into the general categories of financial reviews, program results audits and program abuse surveys. A narrative description of these projects is on pages 40 - 44 of the March 31, 1989 Semiannual Report.

Audited Financial Statements for the Department of Labor and Major Agencies (9-30-89 Semiannual Report):

> Audited financial statements for governmental agencies have had the effect of improving financial management practices, internal controls and fiscal reporting in those agencies for which statements have been compiled and audited.
>
> See the narratives on individual agency sections contained in Chapter 1, Office of Audit of the 9-30-89 Semiannual Report.

OSHA's Monitoring of State Programs (pg 51, 3-31-89 Semiannual Report)

> The OSH Act allows each state to operate their own occupational safety and health program under Federal evaluation and guidance. This report identified several areas where the OSHA State program monitoring system can be improved.

Wage and Hour Uncollected Back Wages (pg 50, 3-31-89 Semiannual Report):

> It is estimated that, for FY 1988, the Department failed to collect about $3.6 million in collectible back wages from employers who had violated the Fair Labor Standards Act. Because the workers to whom these wages were due were unlocated, these wages would revert to the U.S. Treasury.

Black Lung Responsible Mine Operators' Debt Collection Practices (pg 50, 3-31-89 Semiannual Report):

> This report identified serious deficiencies in the Department's failure to bill responsible mine operators for compensation benefits, interest and medical expenses totaling about $12.9 million, and in the understatement of accounts receivable of about $9.5 million.

IMPLEMENTATION OF RECOMMENDATIONS

Mr. Natcher: What kind of success do you have in getting the agencies to implement your recommendations?

Mr. Maria: Generally, we are very successful in working with audited agencies in having our recommendations implemented. We will not consider an audit recommendation "resolved" until the Office of Audit and the agency agree on a recommended course of action, and we will not "close" an audit finding until the audited agency documents the fact that the action has been implemented.

In the past, any major difficulties we had concerned the timeliness with which audit recommendations have been both resolved and closed. The recent Inspector General Act amendments have closed a major loophole in the IG resolution and closure procedures by requiring the Secretary to report undue delays to the Congress on a semiannual basis. This has assisted timeliness a great deal.

LAW ENFORCEMENT AUTHORITY

Mr. Natcher: Have you made any progress in the past year concerning obtaining law enforcement authority for your investigators?

Mr. Maria: No. However, there are bills pending before the House (H.R. 4149) and the Senate (S. 2080) to provide law enforcement authority for criminal investigators of Office of Inspectors General. Let me emphasize that I believe it is essential that full law enforcement authority be granted to our investigators.

LEGAL STAFF

Mr. Natcher: Do we understand correctly that you have now been authorized to hire your own attorneys, rather than using the Solicitor's Office?

Mr. Maria: Yes that is correct. The Secretary approved in December 1989, the proposal for OIG to employ independent counsel and the function was transferred to OIG in January 1990. The dollars and positions associated with this transfer will be absorbed by OIG; the full impact of which, has yet to be determined.

Mr. Natcher: How many do you have, and tell us why this is necessary.

Mr. Maria: From the inception of the Inspector General in the Department of Labor, the IG counsel has been functionally and physically located in the Office of the Solicitor. The OIG's need for some arrangement that would assure dedicated staff who could operate with sufficient independence to support the IG's mission had been discussed with DOL management on numerous occasions, with no real result. A review last fall disclosed that, with only one exception, every other IG office (created by the 1978 Act) had either independent counsel or a written agency agreement providing for the requisite degree of independence. A decision was made in January 1989 by Inspector General Hyland that he would hire his own counsel, because he found the lawyers assigned to OIG were put in a position of inherent conflict on a daily basis with the Solicitor on one hand as their employer and the IG on the other as their client. It took approximately a year before the Secretary agreed to the transfer.

The Office of Counsel to the Inspector General consists of four attorneys and one clerical assistant.

UNDERCOVER OPERATIONS

Mr. Natcher: On page 54 of your latest semiannual report you talk about a contingency fund for the Office of Labor Racketeering concerning undercover operations. What do you have in mind here?

Mr. Maria: While OLR has budgeted funds for undercover operations, it lacks the authority to carry out the wide range of activities necessary to conduct effective undercover operations. The Federal Bureau of Investigation and Department of Treasury have received a statutory exemption of undercover operations from certain laws. The Office of Labor Racketeering (OLR) is seeking a similar exemption.

Undercover operations, by their nature, require a certain amount of deception. It is frequently necessary to set up a business as part of the undercover operations. It is also often necessary to lease office space, open a checking account, etc., in the fictitious name of a bogus business. It is essential that the existence of the fictitious business and false name used by the undercover agent remain secret to ensure the success of the undercover operation and to protect the safety of the undercover agent. Federal statutes and regulations in the areas of procurement of space, establishing corporations, and depositing funds in banks (31 U.S.C. 1341, 3302, 3324, 9102, 9103; 41 U.S.C. 11(a), 22, 254 (a) and (c), 255; 40 U.S.C. 34; 18 U.S.C. 648) require procedures which are incompatible with operational security, serve to impede undercover operations and could put both the operation and the undercover agent at risk. OLR needs an exemption from the above-enumerated laws if it is to maximize the investigative potential of its undercover operations.

The other area in which OLR is seeking legislative relief, as described in the latest semiannual report, is the use of proceeds from undercover operations to offset necessary and reasonable expenses. Without an exemption, OLR is prohibited under federal law from using these proceeds. I believe the use of the proceeds would add credibility to the operation while saving taxpayer money.

PRIVATE PENSION SYSTEM

Mr. Conte: Mr. Maria, what is the overall condition of the private pension system?

Mr. Maria: Because of the existing inadequacies in the ERISA-required audits conducted by independent public accountants and the absence of effective Department of Labor investigative oversight of the nation's 870 thousand pension plans and 4.5 million welfare plans, no one can answer that question with much specificity or certainty.

In general, the pension plan data published by the Department and the industry show a financially healthy system. The Office of Inspector General, however, has completed both audit and investigative work, the results of which lead us to the conclusions that pension and welfare plans are vulnerable to fraud and abuse; and that the protections promised by ERISA are not as reliable as we all had believed. This is not to say that the OIG believes that fraud and abuse is rampant in employee benefit plans and that beneficiaries should live in fear. As we stated in our most recent Semiannual report, "These vulnerabilities do not reveal a pension system currently in crisis; but they do demonstrate it to be at risk."

In addition to our audit findings of systemic vulnerabilities, OIG investigations have led to a large number of convictions that prove that this vulnerability is being exploited. Our work involving union pension and benefit plan fraud has resulted in more than 300 criminal convictions. Recent convictions obtained by our Office of Investigations in non-union plans has demonstrated they are similarly vulnerable to depredation by unscrupulous administrators and service providers.

We have also testified that there is a serious imbalance between the total number of pension and welfare plans (about 5 million), on one hand, and the audit and investigative resources that can be arrayed to protect them (about 300 auditors and compliance personnel), on the other hand. We believe that the Department's enforcement efforts, to be credible at all, must include judiciously applied criminal sanctions to those most egregious instances of fraud in order to provide for some increased degree of deterrence.

CONVICTION RATE

Mr. Conte: Mr. Schick, I was pleased to read that several of the Department's long-term investigations recently resulted in convictions of the First United Fund's former president, as well as a Teamster Local 436 official, and four Longshoremen's benefit plan trustees. Do you have a high conviction rate using that long-term approach?

Mr. Schick: While we are not entirely sure what is meant by a "high conviction rate," we are convinced that the strategy of pursuing sophisticated and well-insulated criminal activity through long-term investigations is correct. Our complex investigations expose and bring to justice criminals who betray the trust of the American worker. These cases almost always involve criminal conspiracies. Thus, a typical case, such as the ones you cited, may result in numerous high impact convictions. During FY 1989, 37 cases resulted in 77 convictions. This successful strategy builds solid cases where nearly 9 of 10 individuals indicted are convicted.

FINES, RECOVERIES AND RESTITUTIONS

Mr. Conte: Mr. Schick, in 1989 OLR collected almost $15 million in fines, recovered money and restitutions. What are your projections for 1990? 1991?

Mr. Schick: The $15 million in fines, recoveries, and forfeitures realized in 1989 reflects what would be referred to in accounting terms as an "extraordinary item." The total in fines, recoveries, and forfeitures in one case (the First United Fund investigation) was approximately $11 million. Historically, our prosecutions have resulted in fines, recoveries and forfeitures ranging from approximately two million to eight million dollars each year. We project that the next two years each will produce between four million and six million dollars. Additionally, our criminal investigations in the benefit plan area establish the potential for civil recoveries by the Department of much larger amounts.

LABOR CORRUPTION

Mr. Conte: Mr. Schick, corruption, in the form of embezzlement, extortion and illegal office holding is common in some labor intense industries. What is OLR doing to protect the integrity of the labor movement?

Mr. Schick: OLR protects the integrity of the labor movement by carrying out an aggressive criminal enforcement program. The OLR enforcement program provides for a systematic, comprehensive examination of various lines of industry that are particularly vulnerable to racketeering. These industries include, but are not limited to, construction, transportation, shipping, garment, tourism, and waste disposal. This method of operation allows OLR to direct its limited resources to the most pervasive labor racketeering problems.

An objective of this program is to indict and prosecute corrupt union officials, employers, and employee benefit plan fiduciaries who have committed criminal violations and to remove them from their positions of trust or labor-management relations. Individuals convicted of certain criminal offenses involving labor statutes are barred from holding office for 13 years. Moreover, we work with the Justice Department to cleanse unions that are controlled by organized crime by employing the civil provisions of the Racketeer Influenced and Corrupt Organizations (RICO) statute.

DEPARTMENTAL OPERATIONS

Mr. Conte: Mr. Peterson, last October the Department began using its new accounting system called DOLAR$. You've been monitoring this system. How's it doing?

Mr. Peterson: Poorly, but improving. We recently issued a report entitled "DOLAR$ Management Needs Improvement For Successful Implementation." In summary, we found that deficiencies in the overall management of the development effort have increased the risks that the system may not meet top management's objectives. We reported that top management's expectation for accounting data as good or better than the previous system's was not met at the end of the first quarter of Fiscal Year 1990. At implementation, DOLAR$ was not fully tested. Further, my staff has not been able to test the system or fully evaluate any acceptance testing performed by the Department. At the present time, system users are only receiving a limited number of essential output reports and system design decisions are still being made. I am convinced that the report accurately reflects the status of DOLAR$ as of January 31, 1990.

The Department recently initiated significant changes in the DOLAR$ project management and direction. It is my understanding that responsibilities for system and acceptance testing have been reassigned to the Directorate for Information Resources Management. Based upon preliminary discussions, it appears that the Department's strategy for testing and implementing the system is much improved.

Audit staff will continue to monitor DOLAR$ actively during the next several months, issue a followup report and present our results in the September Semiannual Report to Congress.

DEPARTMENTAL ACQUISITIONS

Mr. Conte: Mr. Peterson, the Department annually spends more than $141 million on acquisitions. Has your oversight turned up any problems?

Mr. Peterson: Our audits have identified, and we have reported, problems with the Department's acquisition of information resources. We reported that the Department has developed comprehensive policies and procedures that, if followed, would ensure compliance with Federal laws and regulations and, more importantly, reduce risks. Unfortunately, this process is not always followed. Consequently, oversight and control are adversely impacted. In my opinion, the conflict between the dual roles delegated to the Department's Senior IRM Official (timely acquisition of ADP support and services for program accomplishment versus oversight of agencies' IRM programs to assure compliance with Federal Regulations, Office of Management and Budget Circulars, DOL strategic information resources management plans, etc.) contributes to the Department's problems.

At the Department level, we found that (1) information resources acquisitions are not always fully defined and documented, and (2) required review and oversight activities are not consistently performed and documented. Two significant acquisitions (microcomputers and the Department of Labor Accounting and Related Systems) did not follow the process. Currently, both acquisitions have placed the Department at risk. The microcomputer vendor is in default; the accounting system is delayed and products have not been delivered.

In one agency, we have identified and reported an appearance of avoidance of competition in contracting. The Small Business Administration 8(a) program and Interagency Agreements were employed to acquire information resources and consulting services from (1) a corporate entity not covered by the SBA 8(a) program, or (2) specific individuals, on a recurring basis.

Perhaps more important than the information acquisition problems are those associated with contract administration once a contract is awarded. We have developed information at both the Department and agency level which leads us to believe that the role and responsibilities of the Contracting Officer's Technical Representative should be audited. We have found task order requirements (time, parameters, products, etc.) are not clearly specified or intentionally vague.

WASTE, FRAUD AND ABUSE

Mr. Conte: Mr. Ryman, the Office of Investigations is charged with detecting waste, fraud and abuse within the Department. What percent of the Department's $7.2 billion budget is lost through waste, fraud and abuse? What is your best guess?

Mr. Ryman: It is difficult to apply a percentage to quantify "waste, fraud and abuse" inasmuch as the Department administers a variety of benefit programs, each with unique vulnerabilities. In addition, due to an opinion issued by the Department of Justice, Office of Legal Counsel (OLC), in March 1989, we can no longer investigate violations of Labor statutes and thus have lost a continuing handle on the extent of the problem in these areas. This concerns me greatly because neither the Department of Labor nor the Department of Justice (and the FBI) has shown any appreciable interest in conducting criminal investigations of violations of Labor statutes.

It should be noted that OMB cited the Department's JTPA program and its oversight of pension plans (an area we are precluded from investigating) on its list of "High Risk" programs as being susceptible to fraud, corruption or mismanagement.

In 1986 a high-level HUD official (Thomas Carper) told the House Committee on Ways and Means that at least 15% of HUD assisted households were either totally ineligible or were receiving more assistance than is allowed. George Smith, chief prosecutor of the Illinois Medicaid Fraud Unit, has said fraudulent claims account for at least 20% of the monies paid out by the state annually under the Medicaid program.

Because OI has surfaced fraud, waste and abuse in all programs where we have expended significant investigative resources, I would expect that losses to the Department traceable to waste, fraud and abuse approach 10 percent. To illustrate using statistical accomplishments, we had $12,006,129 in recoveries, restitutions, settlements, fines, and cost efficiencies in Fiscal Year 1989. This figure does not include various findings by our Office of Audit of unsupported costs within the Department's programs.

COORDINATED OVERSIGHT EFFORTS

Mr. Dwyer: It is my understanding that the Department's Office of Employment and Training Programs (OETP) works closely with HHS to coordinate and support joint JOBS/JTPA initiatives. Do the Inspectors General of DOL and HHS coordinate their oversight efforts as well?

Mr. Maria: Because of our continuing involvement in auditing aspects of the JTPA program and the recent implementation of the JOBS program, we do not currently have a formal working relationship with the HHS Inspector General. We have had, however, some discussions with HHS/OIG regarding the legislative and regulatory audit requirements imposed on the JOBS program. We do not rule out a future coordinated oversight effort between DOL/OIG and HHS/OIG.

JTPA AND WAGNER-PEYSER ACT

Mr. Dwyer: The Office of Audit is reviewing the merger of services of JTPA and Wagner-Peyser Act programs by some states. Has the Office made any determination as to the efficiency and effectiveness of such arrangements?

In addition, have any statutory requirements of either program been neglected, because of these mergers?

Mr. Maria: During audit work in the Indiana JTPA program, we noticed that Indiana merged the Wagner-Peyser and JTPA functions. As part of our audit planning process, we decided to review the role of the Employment Service in the Employment and Training environment. We have just begun our review and it is too early to make any conclusions.

DOLAR$

Mr. Dwyer: The budget justification states that substantial monitoring and technical assistance are critically necessary to the success of the Department's new integrated accounting system, DOLAR$. When will testing and training on the new system be completed?

Mr. Peterson: According to departmental management, the major portion of testing and training needed for the core accounting system should be completed by the start of the 4th quarter, FY 90. However, as I stated earlier, it is my understanding that responsibilities for system and acceptance testing have been reassigned. This new assignment may impact on these dates.

Mr. Dwyer: When do you believe DOLAR$ will be fully operational?

Mr. Maria: DOLAR$ is to be implemented in three segments. According to the Department's schedule:

1. Core, which includes accounting and financial reporting, should be fully operational by the 4th quarter, FY-90;
2. Subsystems for accounts receivable, accounts payable, etc., should be fully operational by the 2nd quarter, FY-91;
3. Distributed (regional) input and output processing should be fully operational by the 1st quarter, FY-92.

These dates may be impacted by changes in responsibilities for the system. These changes, we believe, are beneficial to the effort.

We will, however, continue to monitor the system implementation closely. To date, our work has been two fold - technical assistance and monitoring. These tasks will continue. Soon we will start a third effort needed for the FY-90 consolidation audit. This effort includes a review of internal controls, auditability determination and control testing of transaction flow.

JUSTIFICATION OF THE BUDGET ESTIMATES

OFFICE OF INSPECTOR GENERAL
SALARIES AND EXPENSES

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OFFICE OF INSPECTOR GENERAL

SALARIES AND EXPENSES

For salaries and expenses of the Office of [the] Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, [$41,997,000] *$44,463,000* together with not to exceed [$5,194,000] *$4,195,000* which may be expended from the Employment Security Administration account in the Unemployment Trust Fund. *(Public Law 95-452, as amended; Department of Labor Appropriations Act, 1990.)*

AMOUNTS AVAILABLE FOR OBLIGATION

	1989 Comparable		1990 Estimate		1991 Estimate	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation	476	$39,517,000	476	$41,997,000	497	$44,463,000
Reduction pursuant to P.L. 99-177.................	--	--	--	-575,000	--	--
A. Subtotal, appropriation..	476	$39,517,000	476	$41,422,000	497	$44,463,000
Comparative transfer from: Departmental Management..	--	101,000	1	--	--	--
Subtotal, appropriation (adjusted).................	476	$39,618,000	477	$41,422,000	497	$44,463,000
Offsetting collections from:						
Employment Security Administration Unemployment Trust Fund.................	62	5,633,000	62	5,194,000	45	4,195,000
Employment Standards Administration Black Lung Disability Trust Fund......................	9	509,000	9	506,000 1/	6	371,000
B. Total Available Budget Authority..............	547	$45,760,000	548	$47,122,000	548	$49,029,000
C. Total, estimated obligations.............	547	$45,760,000	548	$47,122,000	548	$49,029,000

1/ Excludes a $3,000 reduction pursuant to P.L. 99-177.

Office of Inspector General

SUMMARY OF CHANGES

Budget Authority:	1990	1991	Net Change
General Funds.................	$41,422,000	$44,463,000	+$3,041,000
Trust Funds...................	5,700,000	4,566,000	- 1,134,000
Total.........................	$47,122,000	$49,029,000	+$1,907,000
Full-Time Equivalent:			
General Funds.................	477	497	+20
Trust Funds...................	71	51	-20
Total.........................	548	548	--

	Trust Funds		General Funds		Total	
Explanation of Change:	FTE	Amount	FTE	Amount	FTE	Amount
Increases:						
A. Built-In:						
To provide for net cost of within-grade and bonus increases...............	--	+$21,000	--	+$228,000	--	+$249,000
To provide for additional day of pay..............	--	+8,000	--	+77,000	--	+85,000
To provide for FY 1991 pay increase............	--	--	--	+286,000	--	+286,000
To provide for annualization of FY 1990 pay increase...........	--	--	--	+195,000	--	+195,000
To provide for increased cost of personnel benefits................	--	+2,000	--	+233,000	--	+235,000
To provide for increased cost of FECA............	--	--	--	+22,000	--	+22,000
To provide for increased cost of travel..........	--	+12,000	--	+169,000	--	+181,000
To provide for increased cost of transportation of things...............	--	--	--	+4,000	--	+4,000
To provide for increased cost of GSA rental......	--	+12,000	--	+107,000	--	+119,000

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SUMMARY OF CHANGES (continued)

	Trust Funds		General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount
To provide for increased rent, communications, and utilities costs.....	--	--	--	+34,000	--	+34,000
To provide for increased cost of printing........	--	--	--	+5,000	--	+5,000
To provide for increased cost of audit contracts.	--	--	--	+596,000	--	+596,000
To provide for increased cost of miscellaneous contracts...............	--	--	--	+53,000	--	+53,000
To provide for increased cost of other services..	--	+33,000	--	+5,000	--	+38,000
To provide for increased cost of supplies........	--	--	--	+8,000	--	+8,000
Subtotal................	--	+88,000	--	+2,022,000	--	+2,110,000
C. Financing:						
To reflect a change in activities to General Funds from Trust Funds.	--	--	+20	+1,222,000	+20	+1,222,000
Total Increase..........	--	+88,000	+20	+3,244,000	+20	+3,332,000
Decreases:						
A. Built-In:						
To provide for decreased cost of WCF...........	--	--	--	-203,000	--	-203,000
C. Financing:						
To reflect a change in activities from Trust Funds to General Funds	-20	-1,222,000	--	--	-20	-1,222,000
Total Decrease.........	-20	-1,222,000	--	-203,000	-20	-1,425,000
Total Change...........	-20	-1,134,000	+20	+3,041,000	--	+1,907,000

BUDGET AUTHORITY BY ACTIVITY

	1989 Comparable		1990 Appropriation		1990 1/ Estimate		1991 Estimate		Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Budget Authority applied to General Funds:										
1. Office of Audit.....	209	$20,175,000	209	$20,691,000	209	$20,408,000	211	$21,638,000	+2	+$1,230,000
2. Office of Investigations......	84	5,966,000	84	6,503,000	84	6,414,000	102	7,607,000	+18	+1,193,000
3. Office of Labor Racketeering........	128	8,788,000	128	9,901,000	128	9,765,000	128	10,194,000	-	+429,000
4. Executive Direction & Management..........	55	4,689,000	55	4,902,000	56	4,835,000	56	5,024,000	-	+189,000
Subtotal..........	476	39,618,000	476	41,997,000	477	41,422,000	497	44,463,000	+20	+3,041,000
Budget Authority applied to Trust Funds:										
1. Office of Audit.....	44	4,576,000	44	4,231,000	44	4,230,000	42	3,993,000	-2	-237,000
2. Office of Investigations......	27	1,566,000	27	1,472,000	27	1,470,000	9	573,000	-18	-897,000
Subtotal..........	71	6,142,000	71	5,703,000	71	5,700,000	51	4,566,000	-20	-1,134,000
Total Budget Authority..	547	$45,760,000	547	$47,700,000	548	$47,122,000	548	$49,029,000	-	+$1,907,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177...$ 578,000 .
Comparative transfer from Departmental Management $ -0- and +1 FTE.

BUDGET AUTHORITY BY OBJECT CLASS

	1990 Appropriation	1990 1/ Estimate	1991 Estimate	Change
Total number of full-time permanent positions.............	543	544	544	--
Full-time equivalent:				
Full-time in permanent positions	543	544	544	--
Other positions.................	4	4	4	--
Total.........................	547	548	548	--
Average ES salary................	$73,773	$76,343	$79,091	--
Average GM/GS grade..............	11.77	11.78	11.78	--
Average GM/GS salary.............	$39,753	$39,556	$41,031	+$1,475
Personnel compensation:				
Full-time permanent.............	$21,842,000	$21,776,000	$22,568,000	+$792,000
Other than full-time permanent..	106,000	106,000	106,000	--
Other personnel compensation....	1,151,000	1,151,000	1,174,000	+23,000
Subtotal, personnel compensation.	23,099,000	23,033,000	23,848,000	+815,000
Personnel benefits...............	4,404,000	4,256,000	4,513,000	+257,000
Travel and transportation of persons......................	4,570,000	4,532,000	4,713,000	+181,000
Transportation of things.........	94,000	94,000	98,000	+4,000
Rental payments to GSA...........	2,961,000	2,961,000	3,080,000	+119,000
Communications, utilities and miscellaneous charges...........	638,000	631,000	665,000	+34,000
Printing and reproduction........	70,000	70,000	75,000	+5,000
Other services 2/................	11,167,000	10,856,000	11,340,000	+484,000
Supplies and materials...........	262,000	254,000	262,000	+8,000
Equipment........................	435,000	435,000	435,000	--
Total, budget authority by object......	$47,700,000	$47,122,000	$49,029,000	+$1,907,000
Working Capital Fund obligations included above..................	(1,945,000)	(2,027,000)	(1,824,000)	(-203,000)
Advisory and assistance services included above..................	(7,812,000)	(7,528,000)	(8,124,000)	(+596,000)
Federal Employees' Retirement System contribution included above....	(570,000)	(570,000)	(599,000)	(+29,000)

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177..............................$ 578,000 .
Comparative transfer from Departmental Management $ -0- and +1 FTE.

2/ Includes the following amounts for services of other agencies:

General Services Administration	(81,000)	(81,000)	(84,000)	(+3,000)
Office of Personnel Management	(150,000)	(150,000)	(156,000)	(+6,000)

SIGNIFICANT ITEMS IN 1990
HOUSE AND SENATE APPROPRIATIONS COMMITTEES' REPORTS

No specific actions recommended.

AMOUNTS IN AUTHORIZING LEGISLATION

Legislation	Budget Request 1990	Budget Request 1991
Authorizing legislation containing indefinite authority		
The Inspector General Act of 1978 (Public Law 95-452)...............1/	$47,122,000	$49,029,000

1/ Includes $5,194,000 for FY 1990 and $4,195,000 for FY 1991 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $506,000 for FY 1990 and $371,000 for FY 1991 to be derived from the Black Lung Disability Trust Fund.

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APPROPRIATION HISTORY

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriation
1983.............	$44,968,000	$44,968,000	$44,968,000	$44,968,000
1984.............	44,527,000	43,527,000	44,527,000	44,320,000
1985.............	44,137,000	44,137,000	43,853,000	43,995,000
1986.............	36,907,000	43,999,000	40,673,000	40,528,000 1/
1987.............	41,485,000	41,485,000	41,485,000	42,501,000 2/
1988.............	45,683,000	45,206,000	45,682,000	43,758,000 3/
1989.............	45,713,000	45,713,000	46,438,000	45,659,000 4/
1990.............	47,700,000	47,700,000	47,700,000	47,122,000 5/
1991.............	49,029,000 6/			

1/ Includes $1,809,000 reduction pursuant to P.L. 99-177.

2/ Includes $6,040,000 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; $612,000 to be derived from the Black Lung Disability Trust Fund; and, transfers from ESA of $556,000 and $460,000 for FERS and pay respectively.

3/ Includes $6,201,000 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $506,000 to be derived from the Black Lung Disability Trust Fund.

4/ Includes $5,633,000 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $509,000 to be derived from the Black Lung Disability Trust Fund. Reflects $554,000 across-the-board reduction pursuant to P.L. 100-436.

5/ Includes $5,194,000 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $506,000 to be derived from the Black Lung Disability Trust Fund. Reflects $578,000 reduction pursuant to P.L. 99-177.

6/ Includes $4,195,000 to be derived from the Employment Security Administration account in the Unemployment Trust Fund; and $371,000 to be derived from the Black Lung Disability Trust Fund.

Note: Prior to FY 1983, appropriation included in Departmental Management, Salaries and Expenses account.

OFFICE OF INSPECTOR GENERAL
SALARIES AND EXPENSES

JUSTIFICATION

	1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
1. Audit..................	253	$24,922,000	253	$24,638,000	--	-$284,000	253	$25,631,000	--	+$993,000
2. Investigations.........	111	7,975,000	111	7,884,000	--	-91,000	111	8,180,000	--	+296,000
3. Labor Racketeering.....	128	9,901,000	128	9,765,000	--	-136,000	128	10,194,000	--	+429,000
4. Executive Direction & Management	55	4,902,000	56	4,835,000	+1	-67,000	56	5,024,000	--	+189,000
Total Budget Authority.	547	$47,700,000	547	$47,122,000	+1	-$578,000	548	$49,029,000	--	+$1,907,000

1/ Included in 1990 Estimate above:
Reduction pursuant to P.L. 99-177.................$ 578,000 .
Comparative transfer from Departmental Management $ -0- and 1 FTE.

General Statement

The Office of Inspector General (OIG), Department of Labor (DOL), was established in October 1978 by the Inspector General Act of 1978 (Public Law 95-452, as amended). The OIG will continue to carry out its responsibilities for: (a) recommending policies to prevent and detect fraud, waste and abuse in DOL activities and programs and increase economy and efficiency; (b) conducting, supervising and coordinating audits and investigations relating to DOL programs and activities; (c) informing the Secretary of Labor and Congress about problems and corrective actions taken in the administration of DOL activities and programs; and (d) reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the Department of Labor and Congress. Additionally, the Inspector General Act of 1978 assigned to the DOL OIG the responsibility and authority to investigate organized crime's influence and impact on labor organizations' employee benefit plans, union benefit plans, and labor-related activities. Since the enactment of the original OIG legislation, additional specific responsibilities have been mandated by other legislation, Office of Management and Budget directives and the Secretary of Labor.

The 1991 budget request of the Office of Inspector General represents a net increase of $1,907,000 above the 1990 estimated amount.

OFFICE OF AUDIT

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
253	$24,922,000	253	$24,638,000	--	-$284,000	253	$25,631,000	--	+$993,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177...............$ 284,000 .

Introduction

The Office of Audit (OA) provides an official examination and verification of the programs, activities, and systems and financial reports and statements of the Department of Labor to establish whether: information is reliable; resources are safeguarded; funds are expended in agreement with laws, regulations, and policies, and are managed economically and efficiently; and desired program results are achieved.

The Office of Audit is committed to promote economy, efficiency and effectiveness in the administration of programs and operations of the Department of Labor and to prevent and detect fraud and abuse in such programs and operations.

The Office of Audit keeps the Secretary of Labor and the Congress informed of problems and deficiencies related to the administration of the Department's programs and operations and the necessity for and progress of corrective action.

1991 Budget Request

The Fiscal Year 1991 budget request for the Office of Audit totals $25,631,000 and 253 FTEs. Those FTEs, together with $8.1 million in audit contracting funds included in the dollar total, will provide OA the equivalent of 313 staff years of audit effort.

In FY 1991, OA will maintain broad audit coverage of the departmental program operations and management. Substantial FY 1991 workload focus is in the following areas:

Departmental Financial Management (DFM) - OIG will continue auditing DOL's annual financial statements, assisting management in developing annual reports and auditing financial data and output statistics at the program level.

Information Technology and Resources Management (IRM) - In FY 1987, OIG developed a 5-year plan for reviewing the Department's information technology and resources management (IRM). That plan calls for continued significant OIG activity in monitoring and evaluating systems development.

Job Training Partnership Act (JTPA) - Under Titles II and III of the JTPA, the Secretary of Labor grants funds to 59 states and entities which, in turn, distribute them to service delivery areas (SDAs) and other organizations. OA will continue its audit focus on grant accountability and the efficiency and effectiveness of the program.

Pension and Welfare Benefits Administration (PWBA) - The PWBA administers the Department of Labor's portion of the Employee Retirement Income Security Act (ERISA), the Federal Employees' Retirement System and the Federal Employees' Thrift Savings Plan. OA has developed a 5-year plan for reviewing different aspects of PWBA's operations. In FY 1991, OIG will continue its focus on PWBA's internal management structure and investigative case reviews.

Program Fraud Civil Remedies Act (PFCRA) - A special unit within the Office of Audit has developed substantial expertise in the application of the PFCRA and has made significant progress in the development of cases within the Department. OA will emphasize PFCRA cases and a quick turnaround on allegations of program abuse and other special requests for audit work.

Contracts and Grants - OIG will mount a major audit effort focusing on performance and accountability in departmental grants and contracts.

Technical Assistance - Since FY 1988, OIG has emphasized the provision of technical assistance to departmental agencies and operations. This effort has expanded significantly in response to requests from managers both in areas where audit activity has identified problems and in other areas where management has identified the need for assistance of a technical nature for which OIG has special expertise. Substantial assistance of this nature has been requested by Job Corps, ETA for the grants management area, OSHA and OASAM for the implementation of the new departmental financial management system. OA considers the provision of technical assistance to be a vital function of the OIG and expects requests and activity in this area to continue to increase.

Continuing Professional Education (CPE) - GAO's Government Auditing Standards which became effective in FY 1988 require that all auditors complete 80 hours of CPE every 2 years. OA initiated compliance with this requirement in FY 1989 with a CPE program that provides 60+ hours in odd years through a major 2-week training event and additional hours in even years through a variety of offerings at the local level. The first major event was conducted in FY 1989 and was very successful. The second major CPE event in the cycle will take place in FY 1991.

1990

In FY 1990, OA is continuing major audit efforts in the areas of ERISA oversight, departmental enforcement, implementation of the new financial management system and information resources management as well as program operations.

Pension and Welfare Benefits Administration (PWBA) - Concerns about the Department's oversight of the Employee Retirement Security Act of 1974 (ERISA) have been highlighted in the Inspector General's Semiannual Reports and Congressional testimony. OA will continue its work in this area, focusing on the effectiveness of PWBA's enforcement strategy, its processing of exemptions to prohibited transactions restrictions, its role in plan terminations and the detection of mismanagement and fraud.

Criminal Enforcement - Major issues have arisen regarding the effectiveness of criminal enforcement of laws by departmental agencies. OA is conducting a major review of strategies and methodologies employed by departmental agencies in pursuing criminal prosecution.

Information Resources Management - Information Resources Management acquisitions within the Department represent substantial expenditures (over $141,000,000 in FY 1989). OA is continuing its oversight of the process and major acquisition activities.

Employment Security (ES) and Job Training Partnership Act (JTPA) - Individual States have undertaken varied forms of merger of services provided under the Wagner-Peyser Act and JTPA. OA is reveiwing these mergers to determine if they enhance the efficiency and effectiveness of the provision of services to eligible workers and employees and meet the requirements and intent of the Wagner-Peyser Act and the JTPA.

Financial Management - OA has played a significant role in the implementation of the Department's new integrated accounting system called "DOLAR$" with the commitment of substantial resources to monitoring the testing and acceptance of the software package and monitoring and providing technical assistance on the financial requirements and implementation of the system. Work to date indicates substantial monitoring and technical assistance continues to be critical as the increasingly sophisticated applications of the core requirements are completed.

Contract and Grant Audits - Notwithstanding the audit coverage provided by the Single Audit Act, OA has established the need for occasional unscheduled financial and compliance audits of individual contracts. OA will continue to perform audits determined by the immediate circumstances, on a case-by-case basis as well as developing an audit universe and factors which will indicate vulnerability.

Program Accomplishments - OA has developed a program utilizing statistical sampling to review and audit Job Corps program accomplishment statistics. In FY 1990 this work will be stratified by individual Job Corps center and the outputs will be correllated with resource inputs and the methodology will be utilized to review and audit reported program accomplishments of additional agencies.

1989

During FY 1989 significant work was accomplished in the following programs and activities of the Department:

Audited Financial Statements - OA issued audited financial statements for FY 1988 for ETA, ESA, OSHA and MSHA as well as an audited consolidated financial statement for the Department. These audited financial statements provide a cost-effective audit approach to fulfill the IG's independent oversight responsibilities and go well beyond the requirements of the Federal Managers' Financial Integrity Act by focusing internal controls and systems on the ultimate end-product of the systems - the financial statements, and provides an overall perspective for executive responsibility. This work is now an established area of audit activity.

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**DOLAR$** - The Department has been developing a new departmental accounting system, DOLAR$, which became the official accounting system of the Department on October 1, 1989. OA has carefully monitored DOLAR$'s development and has reported weaknesses to management for corrective action. Since the Department is relying on this system to correct accounting and financial reporting deficiencies previously reported in OA financial statement audits, OA devoted significant resources to both monitoring and the provision of technical assistance and will continue to do so throughout the implementation of the new system.

Office of Audit

Changes for 1991

Activity changes:

Built-in:

Personnel compensation	$363,000
Federal Employees' Compensation Fund	-51,000
Personnel benefits	34,000
Travel	113,000
Transportation of things	2,000
GSA rental	55,000
Other rent, communications & utilities	8,000
Printing	1,000
Working Capital Fund	-135,000
Other services	603,000
Total Built-in	$993,000

OFFICE OF AUDIT

WORKLOAD ACCOMPLISHMENTS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
1. **ESA-FECA**			
AUDITS/STUDIES/REVIEWS	9	5	4
FTE	(24)	(12)	(6)
AUDIT CONTRACT	$0.0	$0.1	$0.1
2. **ESA-MWC**			
AUDITS/STUDIES/REVIEWS	2	2	3
FTE	(8)	(4)	(4)
AUDIT CONTRACT	$0.0	$0.0	$0.0
3. **ESA-LSHWC**			
AUDITS/STUDIES/REVIEWS	1	1	1
FTE	(0)	(1)	(1)
AUDIT CONTRACT	$0.1	$0.2	$0.2
4. **ESA-W&H PROGRAM**			
AUDITS/STUDIES/REVIEWS	2	2	3
FTE	(7)	(5)	(5)
AUDIT CONTRACT	$0.0	$0.1	$0.0
5. **ESA-OFCCP**			
AUDITS/STUDIES/REVIEWS	1	2	1
FTE	(1)	(3)	(1)
AUDIT CONTRACT	$0.0	$0.0	$0.0
6. **ESA-MANAGEMENT**			
AUDITS/STUDIES/REVIEWS	3	3	2
FTE	(8)	(8)	(7)
AUDIT CONTRACT	$0.8	$0.3	$0.2
7. **VETERANS EMPLOYMENT**			
AUDITS/STUDIES/REVIEWS	5	2	1
FTE	(1)	(1)	(1)
AUDIT CONTRACT	$0.0	$0.2	$0.0

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
8. ETA-SESA/UI			
AUDITS/STUDIES/REVIEWS	9	76	48
FTE	(41)	(51)	(51)
AUDIT CONTRACT	$1.6	$1.5	$1.5
9. ETA-JOB CORPS			
AUDITS/STUDIES/REVIEWS	26	22	29
FTE	(10)	(8)	(10)
AUDIT CONTRACT	$0.4	$0.3	$0.7
10. ETA-JTPA-FARMWORKERS			
AUDITS/STUDIES/REVIEWS	1	6	4
FTE	(1)	(3)	(2)
AUDIT CONTRACT	$0.0	$0.4	$0.2
11. ETA-JTPA-NATIVE AMER			
AUDITS/STUDIES/REVIEWS	4	7	4
FTE	(2)	(5)	(2)
AUDIT CONTRACT	$0.0	$0.3	$0.4
12. ETA-JTPA			
AUDITS/STUDIES/REVIEWS	23	43	39
FTE	(35)	(35)	(35)
AUDIT CONTRACT	$0.3	$0.9	$1.0
13. ETA-MANAGEMENT .			
AUDITS/STUDIES/REVIEWS	15	8	7
FTE	(7)	(4)	(4)
AUDIT CONTRACT	$0.2	$0.2	$0.3
14. OSHA			
AUDITS/STUDIES/REVIEWS	8	16	10
FTE	(12)	(12)	(10)
AUDIT CONTRACT	$0.2	$0.1	$0.2
15. MSHA			
AUDITS/STUDIES/REVIEWS	3	11	10
FTE	(7)	(8)	(7)
AUDIT CONTRACT	$0.1	$0.0	$0.0
16. OLM			
AUDITS/STUDIES/REVIEWS	0	1	4
FTE	(0)	(1)	(3)
AUDIT CONTRACT	$0.0	$0.0	$0.0

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	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
17. PWBA			
AUDITS/STUDIES/REVIEWS	5	6	6
FTE	(10)	(12)	(13)
AUDIT CONTRACT	$0.5	$0.5	$0.4
18. BLS			
AUDITS/STUDIES/REVIEWS	1	4	2
FTE	(1)	(1)	(1)
AUDIT CONTRACT	$0.0	$0.0	$0.0
19. SOL			
AUDITS/STUDIES/REVIEWS	2	1	3
FTE	(4)	(3)	(7)
AUDIT CONTRACT	$0.0	$0.0	$0.0
20. OASAM			
AUDITS/STUDIES/REVIEWS	37	25	25
FTE	(48)	(43)	(45)
AUDIT CONTRACT	$1.6	$0.7	$0.7
21. SINGLE AUDIT			
AUDITS/STUDIES/REVIEWS	389	416	400
FTE	(20)	(25)	(30)
AUDIT CONTRACT	$0.2	$0.0	0.7
22. PROGRAM FRAUD CIVIL REMEDIES ACT			
AUDITS/STUDIES/REVIEWS	10	20	30
FTE	(9)	(8)	(8)
AUDIT CONTRACT	$1.5	$1.7	$1.5
TOTAL			
AUDITS/STUDIES/REVIEWS	556	679	636
FTE	(256)	(253)	(253)
AUDIT CONTRACT (MILLIONS)	$7.5	$7.5	$8.1

OFFICE OF INVESTIGATIONS

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
111	$7,975,000	111	$7,884,000	--	-$91,000	111	$8,180,000	--	+$296,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177...............$ 91,000 .

Introduction

The Office of Investigations (OI) administers an investigative program within the Department of Labor (DOL) to detect and deter fraud, waste, and abuse in the operation and administration of DOL programs. A primary goal is to increase the economy and efficiency of these programs. OI continues to place emphasis on the prudent use of limited resources in conducting high quality investigations consistent with identified national priorities and significant local priorities of U.S. Attorneys. Additionally, OI will continue to stress the importance of a closer working relationship with DOL managers to improve program operations.

The Office of Legal Counsel, Department of Justice, issued an opinion on March 9, 1989, concerning OI's investigative jurisdiction. This opinion has caused OI to alter its planned investigative activities. The issues this opinion raises are extremely complex and have an impact on other statutory IG offices regarding their investigative jurisdiction.

1991 Budget Request

The FY 1991 budget request for this activity totals $8,180,000 and 111 FTEs. The FTE allowance level of 111 is the same as FY 1990 and FY 1989. Caseload projections are lower, consistent with the development of a caseload that emphasizes investigations of greater complexity in terms of recoveries, improvements and impact. OI will continue to follow a workplan that focuses resources on priority areas.

Investigative reviews, evaluations and emphasis will continue in specific DOL programs that previously received less investigative attention. As appropriate, selected computer matches and sampling techniques will continue to be used to detect and expose fraud. Information developed that would be of value to management to improve operating procedures and/or system controls will continue to be disseminated to operating units. OI will continue to support U.S. Attorneys and other investigative and prosecutive offices who have initiated investigations of suspected criminal activity that involve DOL operations or program funds.

Focus will be placed on investigative priorities in the areas of JTPA, FECA, Employee Misconduct and ETA-Job Corps. Contracting and procurement issues which involve criminal violations within these areas will receive priority attention. OI will continue its oversight responsibilities through intelligence collection and analysis efforts at OI Headquarters and in the regions to detect vulnerabilities in programs and operations.

1990

During FY 1990, emphasis will be placed on developing a caseload that will emphasize more complex investigations. As the caseload mix changes, a decrease is anticipated in the number of indictments, convictions and recoveries. OI will intensify field planning responsibilities through expanded liaison with field program managers to develop an intelligence base on DOL programs, problems, and vulnerabilities consistent with our resources.

Focus will be on investigative priorities in the area of JTPA, FECA, Job Corps, Contract and Procurement Fraud and Employee Misconduct. In addition, OI will continue to support and commit resources to U.S. Attorneys who have undertaken a proactive approach to suspected criminal activity that involves federal funds. The Office of Investigations will continue its investigative responsibilities to prevent fraud, waste, and abuse in the Department's programs and operations.

1989

FY 1989 OI investigative priorities were significant UI, JTPA, OWCP, Safety and Health, and Employee Integrity cases. The Office of Investigations opened 1,301 investigations and closed 1,647 during FY 1989 and 2,127 investigations were pending disposition on September 30, 1989. This workload yielded 735 indictments, 720 successful prosecutions and $12,006,129 in monetary results (restitutions, recoveries, cost efficiencies, settlements and fines). In FY 1989, 702 reports were issued in criminal matters, of which only 47, or 6.6 percent resulted in declinations of prosecution. Also, 125 reports were submitted to program managers where systemic weaknesses or other forms of administrative and/or disciplinary actions were found to be appropriate.

Office of Investigations

Changes for 1991

Activity changes:

Built-in:

Personnel compensation	$166,000
Federal Employees' Compensation Fund	37,000
Personnel benefits	71,000
Travel	33,000
Transportation of things	1,000
GSA rental	24,000
Other rent, communications & utilities	6,000
Working Capital Fund	-50,000
Other services	8,000
Total Built-in	$296,000

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OFFICE OF INVESTIGATIONS

WORKLOAD ACCOMPLISHMENTS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
1. ESA-FECA			
INVESTIGATIONS	176	569	620
FTE	(20)	(23)	(31)
2. ESA-MWC			
INVESTIGATIONS	43	30	23
FTE	(7)	(7)	(4)
3. ESA-LSHWC			
INVESTIGATIONS	14	5	5
FTE	(3)	(1)	(1)
4. ESA-W&H PROGRAM			
INVESTIGATIONS	54	20	10
FTE	(13)	(1)	(1)
5. ETA-SESA/UI			
INVESTIGATIONS	1100	500	210
FTE	(20)	(20)	(5)
6. ETA-CETA-PRIME			
INVESTIGATIONS	5	5	0
FTE	(1)	(1)	(0)
7. ETA-JOB CORPS			
INVESTIGATIONS	8	68	104
FTE	(1)	(5)	(9)
8. ETA-JTPA-MIGRANTS			
INVESTIGATIONS	2	12	14
FTE	(1)	(1)	(2)
9. ETA-JTPA-NATIVE AMERICAN			
INVESTIGATIONS	0	12	14
FTE	(1)	(1)	(2)

		FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
10.	ETA-JTPA			
	INVESTIGATIONS	68	289	404
	FTE	(11)	(28)	(35)
11.	OSHA			
	INVESTIGATIONS	18	5	0
	FTE	(2)	(1)	(0)
12.	MSHA			
	INVESTIGATIONS	8	5	0
	FTE	(1)	(1)	(0)
13.	ALIEN CERTIFICATION			
	INVESTIGATIONS	12	5	0
	FTE	(2)	(1)	(0)
14.	PWBA			
	INVESTIGATIONS	11	2	0
	FTE	(2)	(1)	(0)
15.	EMPLOYEE MISCONDUCT			
	INVESTIGATIONS	45	123	123
	FTE	(10)	(11)	(11)
16.	MISCELLANEOUS			
	INVESTIGATIONS	35	72	80
	FTE	(9)	(8)	(10)
17.	SECRETARIAL SECURITY			
	INVESTIGATIONS	48	0	0
	FTE	(7)	(0)	(0)
TOTAL				
	INVESTIGATIONS	1647	1722	1607
	FTE	(111)	(111)	(111)

OFFICE OF LABOR RACKETEERING

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
128	$9,901,000	128	$9,765,000	--	-$136,000	128	$10,194,000	--	+$429,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177............$ 136,000 .

Introduction

The Office of Labor Racketeering (OLR) investigates labor racketeering by traditional and emerging organized criminal groups in employee benefit plans, labor-management relations, and internal union affairs. OLR plans and implements an enforcement program founded on the premise that these organized criminal groups have penetrated certain labor organizations and used unions as vehicles to abuse affiliated employee benefit plans and create criminal monopolies in labor intensive industries. Among these are: building and construction trades, waterfront, garment, trucking, waste disposal and tourism.

A unique feature of the OLR enforcement effort is its commitment to long-term investigative projects. A long-range approach allows OLR to reach beyond the most visible violations and perpetrators to remove the insulated persons who represent the infrastructure of corruption. Such a focus also is intended to promote a continuous law enforcement presence in historically corrupt areas to create a credible deterrent.

These protracted investigations are initiated within the context of a formal planning process. Priorities are identified on a local and national level and an overall strategy exists to achieve a broad range of objectives in the form of criminal penalties, disqualifications, and civil redress. OLR investigations formerly were prosecuted primarily by the Department of Justice Strike Force attorneys and now are handled by U.S. Attorneys and selected state prosecutors.

From OLR's inception on October 1, 1978, to November 30, 1989, OLR investigations have led to the indictment of 989 individuals and 718 convictions, providing tangible results through the removal of corrupt labor, management and benefit plan officials.

1991 Budget Request

The FY 1991 budget request for this activity totals $10,194,000 and 128 FTEs. With these resources, OLR will maintain the focus of the present program to investigate abuse of benefit plans and penetration of unions by organized crime and racketeering elements. OLR will continue, as in past fiscal years, to conduct criminal investigations in the following priority areas: employee benefit plans, labor-management relations, and internal union affairs. Within the benefit plan arena, primary focus will be upon welfare plans including the burgeoning problem of fraudulent self-funded group health plans. OLR will intensify its efforts in those industries that appear most vulnerable to influence and control by organized crime.

OLR will continue to focus on the enforcement of the Employee Retirement Income Security Act (ERISA) and its related Title 18 provisions. Enacted in 1974, ERISA was designed as the first comprehensive legislation aimed at curbing abusive practices in private employee benefit plans. Pension plans covered by ERISA have assets estimated at over $1.7 trillion and will exceed $3 trillion by the end of the century. They represent the largest source of private, non-bank investment capital in the country--25 percent of traded equities and 33 percent of the corporate bond market. There are nearly 4.56 million welfare plans providing such benefits as medical, dental and legal services.

Some pension and welfare plan assets are highly vulnerable to racketeering abuse. Most vulnerable are multi-employer union affiliated plans. There are approximately 3,000 such pension plans with annual contributions of $10 billion and 3,800 welfare plans with $12 billion in annual contributions. The organizational structure of these plans, limited internal controls, and dishonest trustees may invite larceny.

1990

During FY 1990, OLR will continue to comply with its mandate to investigate the racketeering activity of traditional and emerging organized criminal groups. OLR has developed a comprehensive, systematic criminal enforcement approach to the three general areas of labor racketeering: employee benefit plans, labor-management relations, and internal union operations. Employee benefit plans today represent the area of richest investigative potential and consume a majority of OLR resources.

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Organized crime involvement in four large unions--International Longshoremen's Association, Hotel Employees & Restaurant Employees International Union, Laborers International Union of North America, and International Brotherhood of Teamsters--has received most of the publicity and law enforcement attention over the years. Criminal abuse, however, is also found among a number of smaller unions, many of which are not affiliated with the AFL-CIO.

It is our belief that through the domination of unions in some labor intensive industries, the organized criminal element can manipulate the supply and cost of labor and effectively exercise control over the profitability of employers. Fearing the ultimate economic reprisal, these employers often enter into sweetheart contracts, which decrease labor costs and provide a competitive "edge" in return for sharing their increased profits with corrupt union officials and organized crime benefactors. Such sweetheart contracts divert resources from the firm and may leave workers with minimal wages, little or no sick/vacation benefits, and no protection against preemptive dismissal. The benefit plans associated with some of these independents have served to benefit corrupt trustees at the expense of legitimate participants and their beneficiaries.

Labor-management relations violations, such as extortion, payoffs and bribery, represent the next richest area of investigative potential for OLR in its efforts to reduce racketeering.

Labor corruption has become so pervasive in labor intensive industries that in some cases corrupt union officials have usurped the traditional functions of management and have procured goods and services from organized crime influenced companies without regard to quality of service or competition.

To assure that union positions are employed for the exclusive benefit of the rank-and-file membership, OLR dedicates a portion of its enforcement program to reviewing internal operations with emphasis on those industries and unions that historically have proved vulnerable to corrupt influences. Through these efforts, OLR attempts to maintain the integrity of the labor movement by early detection and deterrence of such violations as embezzlement of union assets, extortionate picketing, false reporting, interference with members' rights, and illegal holding of office.

1989

During Fiscal Year 1989, OLR investigations resulted in 76 indictments and 77 convictions. A total of $3,562,500 in fines was ordered, and monetary recoveries included $9,502,010 in forfeitures and $1,511,730 in restitutions. Summaries of significant cases are as follows:

-- Martin J. Schwimmer, a financial consultant to the Sheet Metal Workers Union Local 38 and Teamsters Local 810 employee benefit plans in New York City, was convicted on October 28, 1988, on 86 counts of criminal activity, including a massive racketeering (RICO) conspiracy involving the embezzlement of $14 million. The charges related to the investment of approximately $100 million of the locals' funds through First United Fund of New York. The money was invested in long-term jumbo certificates of deposit issued by small banks and savings and loans across the country. Schwimmer was sentenced on February 14, 1989, to 10 years in prison and 5 years' probation. He was also fined $1.6 million and ordered to pay $10 million in back taxes. Mario Renda, president of First United, had pled guilty in May 1988 to RICO conspiracy and was sentenced February 28, 1989, to 4 years in prison and fined $25,000. He was also sentenced to 5 years' probation on a charge of corporate income tax evasion and fined $100,000. This probation is dependent on his paying his personal taxes and the company's corporate taxes totaling approximately $3 million plus penalties and interest.

Under RICO forfeiture provisions, Schwimmer and Renda forfeited a combined total of $8.75 million to the government. Both are also barred from any relationship with employee benefit funds for 13 years after release from prison.

-- John F. Long, former secretary-treasurer of Teamsters Local 804 in New York, and John S. Mahoney, Jr., secretary-treasurer of Teamsters Local 808 and trustee of the local's pension and welfare funds, were convicted on December 21, 1988, of racketeering, racketeering conspiracy, extortion, and perjury. Among the violations were the receiving of $49,000 by the officials to influence the investment of approximately $1.6 million from the benefit plans of both locals in a questionable investment company. Long was sentenced in May 1989 to 12 years in prison; Mahoney was sentenced in July to 15 years.

-- Five officials of Teamsters Local 436 and its welfare fund in Cleveland were indicted on December 5, 1988, on charges of racketeering involving the embezzlement of approximately $259,000 from the welfare fund. The embezzled money was used to pay attorney fees in an unsuccessful defense of criminal charges from a prior embezzlement from the same fund by the former president of the local who was also chairman of the board for the fund. To date, 16 people have been convicted in this continuing investigation of corruption in the Local 436 welfare and pension funds, including union officials, a fund administrator, a legal counsel to the welfare fund, and employers.

-- Sidney D. Furst, III, a former vice president of the Northern Central Bank in Williamsport, Pennsylvania, was convicted on January 27, 1989, on charges including embezzlement of $358,757 from employee benefit plans that are covered under ERISA. He had diverted over $500,000 from pension accounts to other accounts at the bank from February to September 1985. The defendant, who was also head of the investment group of the bank's trust division, diverted proceeds from the sale of stock of pension and welfare fund accounts to unrelated accounts.

-- Harold Friedman, president of Cleveland Teamsters Local 507 and Bakery Local 19 and vice president for the International Brotherhood of Teamsters, and Anthony Hughes, recording secretary for Local 507 and business agent for Local 19, were convicted on January 13, 1989, on racketeering charges involving embezzlement of over $700,000 from the two locals. The embezzlement was accomplished by maintaining three employees, who did not work, on the payrolls of the locals. The "no shows" or "ghost employees" were Allen Friedman (Jackie Presser's uncle), Jack Nardi, and George Argie. They were named as co-conspirators but were not indicted. In addition, Harold Friedman and Hughes were convicted of embezzling $17,000 from Bakery Union Local 19 to pay Hughes a salary for which he performed no work. The defendants had been charged in a May 1986 indictment that had included Jackie Presser, who was secretary-treasurer of Local 507 and president of the International. Presser died in July 1988, 3 months before the trial began.

-- The OLR investigation of corruption in the building and construction industry in New York that uncovered widespread corruption in the asbestos removal area of the industry has, to date, resulted in 24 individuals being convicted for bribing a federal official. The U.S. Environmental Protection Agency inspector, who received approximately $140,000 in bribes from asbestos company officials, was convicted on June 26, 1989, of conspiracy to receive bribes. He was paid by officials from various companies to overlook violations of federal asbestos removal procedures by their companies and to stay away from job sites where their companies were conducting asbestos removal. Investigative accomplishments during Fiscal Year 1989 include 3 indictments, 6 criminal informations, 18 convictions, and 1 acquittal.

-- Eight indictments returned on July 27, 1989, by a New York State grand jury charge nine individuals and two companies with violations involving the carpentry and drywall industry in New York City. Louis D. Moscatiello, Sr., president of Plasterers and Cement Masons Local 530, and Benedetto Schepis, business agent for Carpenters Local 17, were charged with enterprise corruption under the State's first use of its Organized Crime Control Act to prosecute labor racketeering. The indictments allege Genovese organized crime family involvement and a pattern of criminal activity that included the payment of bribes by construction company officials to a carpenters' union official to obtain favorable treatment and violate the collective bargaining agreement.

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Office of Labor Racketeering

Changes for 1991

Activity changes:

Built-in:

Personnel compensation	$202,000
Federal Employees' Compensation Fund	37,000
Personnel benefits	74,000
Travel	29,000
Transportation of things	1,000
GSA rental	28,000
Other rent, communications & utilities	7,000
Printing	1,000
Working Capital Fund	15,000
Other services	35,000
Total Built-in	$429,000

WORKLOAD ACCOMPLISHMENTS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
INVESTIGATIONS	56	84	88
FTE	(110)	(128)	(128)

EXECUTIVE DIRECTION AND MANAGEMENT

1990 Appropriation		1990 Estimate 1/		Difference App/Estimate		1991 Estimate		Difference 1990/1991	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
55	$4,902,000	56	$4,835,000	1	-$67,000	56	$5,024,000	--	+$189,000

1/ Included in 1990 Estimate:
Reduction pursuant to P.L. 99-177..........$ 67,000 .
Comparative transfer from Departmental Management $ -0- and +1 FTE.

Introduction

This activity provides for overall management direction as well as policy development, planning and review, legal counsel, legislative and regulatory assessment, and resources management, including: personnel, contracting/procurement, financial, and information management, and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis.

The major objective of the activity is to provide effective management and support for the OIG and its program operations through improved support and administrative activities. In addition to human, information and financial resources management, the Executive Direction and Management (EDM) activity is also responsible for initiatives in the ethics and integrity training and awareness areas, communications, and coordination of the OIG participation in activities of the President's Council on Integrity and Efficiency (PCIE).

1991 Budget Request

The budget request for this activity totals $5,024,000 and 56 FTEs.

At this level, EDM will maintain its management oversight of OIG program operations and continue to provide the traditional administrative support activities necessary to achieve the mission of the Agency.

Other areas of coverage will include: legislative and regulatory review, reporting to the Congress, program planning and evaluation, legal counsel, policy development, budgeting and resource management, payroll, personnel management, ADP services, training programs and the DOL awareness and integrity program.

The OIG will continue its representation/coordination and support of various PCIE committees and initiatives.

1990

The emphasis of the Executive Direction and Management activity will continue to be to improve the efficiency and effectiveness of management and administrative support operations as well as optimum utilization of personnel resources.

Through EDM's efforts in FY 1989 to establish independent legal counsel for the Office of Inspector General, the Secretary has approved the transfer of four attorneys and one clerical assistant from the Office of the Solicitor to the OIG in FY 1990, due to the unique circumstances attendant to the Office of Inspector General. The dollars and positions associated with this transfer will be absorbed by OIG; the full impact of which, has yet to be determined.

EDM will continue to support efforts to obtain full law enforcement authority for OIG criminal investigators in lieu of the deputization process currently in effect.

Additionally, increased facilities management activities such as office expansions/renovations, systems furniture installations, etc. are anticipated for FY 1990.

1989

EDM continued its management oversight of OIG program operations while providing the full range of traditional administrative support functions.

Specific concerns and achievements included review and support of proposed legislative/regulatory items such as the: Whistleblower Protection Act of 1989 which would strengthen existing protections afforded to Federal Government whistleblowers; Job Training Partnership Act Amendment which resulted from problems surfaced in previous OIG reports concerning the need to establish additional fiscal controls; Worker Protection Act which would give the National Labor Relations Board (NLRB) authority to revoke the exclusive bargaining status of any labor organization directly engaging in or encouraging the use of violence; continued pursuit of full law enforcement authority for OIG special agents and investigators; expanded OIG subpoena powers to compel testimonial evidence from those individuals who are not federal employees; amendment of federal criminal code involving embezzlement from governmental employee benefit plans; amend certain disqualification provisions of the Labor-Management Reporting and Disclosure Act (LMRDA); contingency fund for information and undercover operations of the Office of Labor Racketeering; and, transfer of legal counsel to the OIG independent from the Department's Office of the Solicitor.

In addition, recognizing the need for a readable, concise, and comprehensive reference document which would address issues of employee conduct that are frequently a source of some confusion and misunderstanding to Government employees, the OIG issued to each DOL employee, An Ethics Handbook for Department of Labor Employees. After publication of the handbook, several other Government agencies requested permission to use the content and format for their own agencies.

As a result of new reporting requirements dictated by the passage of The Inspector General Act Amendments of 1988, the Agency's Audit Information and Reporting System (AIRS) was updated/enhanced to accommodate new statutory reporting requirements regarding the issuance and resolution of audit reports.

Executive Direction and Management

Changes for 1991

Activity changes:

Built-in:

Personnel compensation	$84,000
Federal Employees' Compensation Fund	-1,000
Personnel benefits	56,000
Travel	6,000
GSA rental	12,000
Other rent, communications & utilities	13,000
Printing	3,000
Working Capital Fund	-33,000
Other services	41,000
Supplies	8,000
Total Built-in	$189,000

WORKLOAD ACCOMPLISHMENTS

	FY 1989 Actual	FY 1990 Estimate	FY 1991 Estimate
FTE	(52)	(56)	(56)

ADVISORY AND ASSISTANCE SERVICES [1/]

Type	FY 1990	FY 1991
Advisory and Assistance Services....	$7,528,000	$8,124,000
Personnel Appointments:		
a. Consultants & Experts..........	--	--
b. Advisory Commission Members........................	--	--
Total................................	$7,528,000	$8,124,000

Justification of FY 1991 Request

The Office of Inspector General plans to retain professional services to develop technical training packages for training auditors and investigators in the use of computers and to evaluate the need for ADP resources. ($10,000)

OIG plans to continue to retain contract audit services to review Departmental programs in order to detect significant instances of fraud and waste. ($8,114,000)

[1/] The Cabinet Council on Management and Administration (CCMA) defines advisory and assistance services as those activities funded under six categories of procurements found in the Federal Procurement Data System. These categories include: 1) Management and Professional Services, 2) Special Studies and Analyses, 3) Management and Support Services for Research and Demonstration, 4) Training, 5) Management Review of Program Funded Organizations, and 6) Public Relations.

STANDARD FORM 306
July 1968, Bureau of the Budget
Circular No. A-11, Revised.
306-108

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DETAIL OF PERMANENT POSITIONS

	1989 actual	1990 estimate	1991 estimate
Executive level IV......................	1	1	1
Subtotal......................	1	1	1
ES-4.................................	5	5	5
ES-3.................................	1	1	1
ES-2.................................	-	-	-
ES-1.................................	-	-	-
Subtotal...................	6	6	6
GS/GM-15..............................	46	47	47
GS/GM-14..............................	51	51	51
GS/GM-13..............................	156	156	156
GS-12.................................	168	168	168
GS-11.................................	23	23	23
GS-9..................................	23	23	23
GS-8..................................	11	11	11
GS-7..................................	12	12	12
GS-6..................................	21	21	21
GS-5..................................	9	9	9
GS-4..................................	11	11	11
GS-3..................................	5	5	5
Subtotal...................	536	537	537
Total Permanent Positions...........	543	544	544
Unfilled Positions, end-of year........	19	--	--
Total permanent employment, end-of-year.........................	524	544	544
(Memo cnt: 16.2)	(Memo cnt: 4.8)	(Memo cnt: 4.8)	(Memo cnt: 6)

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